



What Europe thinks

FT poll on attitudes to integration

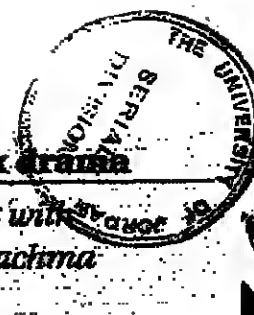
Page 4



Greek drama

Living with the drachma

Page 15



Baron Blich

Doyen of the disposable

Page 5

FINANCIAL TIMES

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Europe's Business Newspaper

WEDNESDAY JUNE 1 1994

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Prodi steps down as IRI losses reach a record \$6.4bn

IRI, the Italian state holding company, said 1993 losses had reached a record £1.02bn (\$6.4bn), more than double the £489bn for the previous year. At the same time, it was announced that chairman Romano Prodi had handed in his resignation to Lamberto Dini, minister for the treasury, which is IRI's sole shareholder. IRI transformed in 1982 into a treasury-controlled public company with a current capital of £15,000bn. Of the losses £4.317bn was attributed to the reorganisation and restructuring of IRI's subsidiaries in the steel and construction/engineering sectors - Iva and Iri-tecnica. Page 17

S Korea considers early OECD entry: South Korea is considering an unexpectedly early entry into the Organisation for Economic Co-operation and Development, which urged the country to increase the pace of deregulation to ensure continued growth. Page 16

Europe seeks role on Japan aircraft: European aerospace companies called on Japan to include them in its attempt to create a world class Japanese civil aircraft industry. Boeing and China are already taking part in a project to develop a 70-80 seat passenger aircraft. Page 16

Bertusconi warned on inflation:

Antonio Fazio (left), governor of the Bank of Italy, warned the Berlusconi government against introducing inflationary policies to stimulate economic recovery after two years of harsh recession. He made it clear the bank would raise interest rates if the recovery encouraged excessive consumer demand and began to ignore the need to reduce Italy's large public sector deficit. Page 2

Nissan Motor, Japan's second largest carmaker, plunged to a record consolidated pre-tax loss of ¥202.4bn (\$1.9bn) in the 12 months to the end of March, its worst financial performance since it became a public company. Page 17

South Africa to rejoin Commonwealth: South Africa is to become the 15th member of the Commonwealth, which emerged from the British empire, rejoining the grouping from which it withdrew 33 years ago after declaring a republic. Page 6

Japan's recession seen at bottom: Further evidence that the Japanese recession has hit bottom emerged with a slight easing in unemployment and an official forecast of an improvement in business conditions. Page 6

British Telecommunications is set to gain the consent of US regulatory authorities for its \$5.3bn alliance with MCI, the second largest US operator. Page 17

EU tightens beef controls: European Union ministers agreed tighter controls against "mad cow" disease (BSE), in an effort to divert German threats to ban imports of British beef. Page 3

S.O. Warburg: Two directors of the UK-based investment bank received more than £1m in salary and bonuses last year, as emoluments to the bank's directors nearly doubled to £10.7m. Page 17

UK inflation risk: Evidence that the British economic recovery may be fuelling inflationary pressures emerged as a business survey warned that manufacturing bottlenecks had significantly raised factory prices in May. Page 9

Nigeria strengthens exchange controls: Nigeria's military regime has increased direct control over scarce foreign exchange and export finance despite opposition from finance minister Kalu I. Kaiti and Paul Oguwura, central bank governor. Page 6

Brazil constitution update fails: Brazil's attempt to update its constitution ended largely in failure yesterday, highlighting the weaknesses in the country's political system. Page 7

Smoking blamed for 450,000 EU deaths: Smoking kills at least 450,000 people in the European Union each year, said EU Social Affairs Commissioner Padraig Flynn, in a statement in mark 'World No Tobacco Day'.

Appetite wanes for British wine: Wine production at one of England's biggest vineyards is being wound down after the business failed to attract a buyer as a going concern. Page 18: Four grapes for English wine industry. Page 10

Europe-wide falls as dealers fear end to rate cuts ■ Commodity prices push higher

Inflation worries hit bond prices

By Corrie Middelmann in London

Dealers across Europe drove government bond prices lower yesterday as the view took hold that inflationary pressures were on the rise and markets had entered a bear phase.

Fears that resurgent inflation pressures will bring an end to interest rate cuts in Europe, and may, indeed, cause short-term rates to rise have pushed bond yields sharply higher.

Those worries were fanned yesterday by the continuing surge in commodity prices, amid reports of heavy buying on international markets, where hedge funds were said to be particularly active.

Grains were sharply higher in Chicago, while coffee rose \$132 a tonne to \$2,118. Cocoa was up nearly 4 per cent and most indus-

trial base metals were higher.

Most of the activity took place in futures pits rather than in cash bonds. Technical support levels on several futures contracts were breached, which further shook confidence and gave traders the impression that prices would continue to fall.

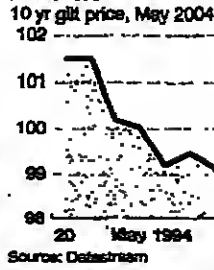
"It's a very scared market," one London bond trader said. "Most bonds offer great value on a fundamental basis, but after the losses of the recent months, no one dares to get in, even at these levels."

Germany led the decline when the June contract of the German government bond future fell to a new low for the year.

The Bundesbank announced that a widely expected auction of long-dated bonds would not take place. While the Bundesbank said the move was the result of the

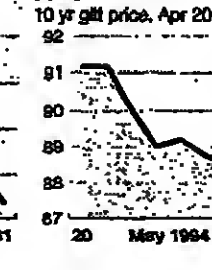
Bonds fall from Europe to Wall Street

Frankfurt 10 yr gilt price, May 2004



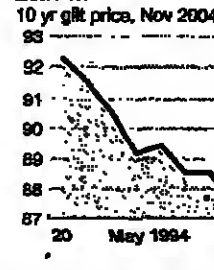
Source: Datastream

Paris 10 yr gilt price, Apr 2004



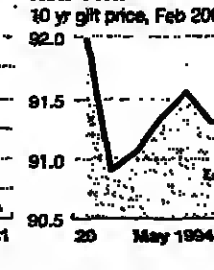
Source: Datastream

London 10 yr gilt price, Nov 2004



Source: Datastream

New York 10 yr gilt price, Feb 2004



Source: Datastream

Germany lower but further weighed down by supply pressures.

The June futures contract on the French exchange Matif fell by 1.00 point to 117.72, while the Italian BTP future dropped by 1.25 point to 108.17.

In the US, fears of inflation and further interest rate rises by the Federal Reserve eased slightly after the Commerce Department reported that disposable personal incomes fell 0.2 per cent in April, while spending on personal consumption fell 0.1 per cent.

In equity markets, the bonds weakness led to yet another turbulent trading session in London. The FT-SE 100 index closed 4.1 higher at 2,970.5.

German M3 boiler builds up steam, Page 15

Lex, Page 16

Government bonds, Page 23

Kohl and Mitterrand make pact over EU presidency

By David Buchanan in Maastricht

Germany and France yesterday pledged close co-ordination of their successive European Union presidencies over the next year at a summit replete with gestures of friendship that appeared to clear the air of recent tensions.

For the first time since 1944, German soldiers will march down the Champs Elysees on July 14 as a result of President Mitterrand's announcement yesterday that he would invite the Eurocorps, the newly-formed multinational army group, to take part in France's Bastille day military parade.

Inevitably absent from next week's D-Day commemoration in Normandy, Chancellor Helmut Kohl, the German leader, yesterday expressed his "warm" welcome for this "very generous" gesture. Chancellor Kohl is expected to attend the July 14 parade, along with leaders of Belgium, Luxembourg and Spain, which contribute troops to the Eurocorps along with France and Germany.

Mr Mitterrand said he hoped the next year would give the impression of "a continuous, if not a common, Franco-German presidency". Germany takes the chair of the EU Council of Ministers on July 1 and will hand it to France on January 1 next year. Its main themes are expected to be fostering more jobs at home and more stability to the east.

Mr Kohl endorsed President Mitterrand's call for the EU to reinforce its institutions as it takes in new members, and the German leader rejected any attempt to turn the Union into "just a big free trade zone, as once proposed by one of our number", a reference to Mrs Margaret Thatcher, the former UK prime minister.

Germany and France will place "development of the [Union's] common foreign and security policy... at the centre of their co-operation" in running their presidencies, according to a communiqué yesterday. A key part of this common policy will be closer security links with east European countries, and partnership with Russia. Mr Alain Juppé, the French foreign minister, confirmed that France was no longer blocking a new EU accord with Russia.

The two countries also signalled their intention to set up a joint arms procurement agency and to develop a new large military transport plane and observation satellite system to give their forces more "strategic mobility". The arms agency would coordinate the two countries' numerous

Continued on Page 16



Dan Rostenkowski: refused to accept a plea agreement

Rostenkowski charged with corruption

By Jurek Martin in Washington

A US federal grand jury yesterday charged Democrat Congressman Dan Rostenkowski, powerful chairman of the House ways and means committee, with 17 counts of corrupt practices, including embezzlement, mail and wire fraud and tampering with a witness.

Mr Eric Holder, the federal prosecutor in Washington, said Mr Rostenkowski, now in his 36th year in Congress, had been guilty of "a pattern of corrupt activity going back for 20 years and embezzled hundreds of thousands of dollars in order to enrich himself, his family and his friends".

Mr Rostenkowski is forced under House of Representatives rules to resign his committee chairmanship, and his absence from this key panel is likely to make passage of President Bill Clinton's healthcare reform legislation no easier.

The indictments were brought following the failure of negotiations under which the congressman would have pleaded guilty to lesser offences and stepped down from chairmanship of ways

and means. But on Monday he declared he was innocent of all charges and determined to clear his name in court.

Mr Holder said that if Mr Rostenkowski was found guilty he would spend "several years in jail", though he was not specific on the details.

The indictments include charges that Mr Rostenkowski embezzled over \$50,000 from the House post office by converting postage stamp purchases into cash; that he misappropriated \$40,000 from the House stationery office in the form of gifts for friends; and that he cost the House treasury \$70,000 by leasing cars for his personal use.

Mr Rostenkowski was also charged with putting on his payroll - paid for by public funds - personnel who mostly performed private duties for him and his family. The total cost was as much as \$501,000, Mr Holder said.

Mr Rostenkowski's decision not to cut a deal with the federal prosecutors and to seek re-election in November is consistent with his reputation as a tough fighter. Faced with yesterday's

Continued on Page 16

Majority in favour of enlarging European Union

Euro-poll blow for single currency

By David Marsh European Editor

Europeans are doubtful that there will be a single currency by the end of the century, but favour EU enlargement by a wide margin, according to an FT opinion poll across all 12 EU members.

The survey underlines how German voters seem to be joining traditionally Euro-sceptic electorates in Denmark and the UK in their antipathy towards closer integration along the lines of the Maastricht treaty.

The poll was commissioned by the Financial Times and seven other European newspapers in advance of the European elections later this month. It was carried out through telephone interviews last month by Harris Research among a sample of 6,499 people.

Only 8 per cent of respondents in west Germany, and 7 per cent of those in east Germany, believed that a single currency

was "very likely" in at least three EU member countries by the end of the century. Overall, 47 per cent of Europeans thought a single currency was likely by 2000, with 46 per cent saying it was unlikely.

A total of 64 per cent of British respondents, who appear least in favour of the Maastricht treaty, said a single currency was either "very likely" or "fairly likely" by 2000, compared with figures below 40 per cent in Germany, Denmark, Spain and Italy.

The survey reveals a deep split on the desirability of fulfilling the Maastricht plan for European union. Respondents in the UK, Denmark and east and west Germany said by a roughly 2 to 1 margin they were against the Maastricht arrangements, supporting a "looser" Europe. First support for Maastricht came from Italy, Spain, Belgium and the Netherlands, all in favour of closer integration by margins of 2 to 1 or more.

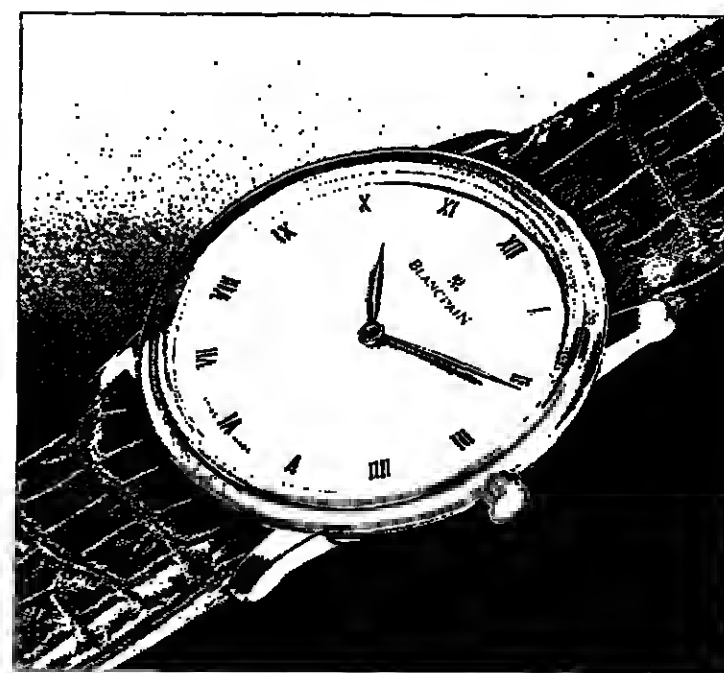
On enlargement, 79 per cent of the EU electorate favoured the planned extension of the EU to Sweden, Finland, Norway and Austria on January 1, with only 9 per cent against. A smaller proportion - 50 per cent, with 30 per cent against - backed membership by former communist countries, with support greatest in Italy and east Germany.

A large proportion of Europeans - 27 per cent of the French, 21 per cent of west Germans, 20 per cent of the Spanish and 19 per cent of Belgians - label Britain as the EU country they least trust.

Britons also show considerable suspicion of other important EU partners, with 44 per cent and 24 per cent describing respectively France and Germany as the nations they least trust.

Most voters favour more power for the European parliament, with 46 per cent of respondents saying it has too little, and only 20 per cent believing it has too much.

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NEWS: EUROPE

Warning to Berlusconi on inflation

By Robert Graham in Rome

Mr Antonio Fazio, the governor of the Bank of Italy, yesterday warned the new Berlusconi government against introducing inflationary policies to stimulate economic recovery after two years of harsh recession.

Mr Fazio made it clear the bank would raise interest rates if the recovery encouraged excessive consumer demand and began to ignore the continuing need to reduce Italy's large public sector deficit.

"A recovery which is too rapid and too heavily weighted towards consumption would require immediate corrective action," he said.

"While the central bank will continue to provide support for the present state of the economy and for employment, it is also alert to any pressure on costs and prices. The moment the recovery ceases to be non-inflationary, monetary policy must be aimed at halting price increases by resorting to a rise in interest rates."

The warning was the central point of the governor's annual economic statement - regarded as the bank's single most important economic analysis during the year.

The Berlusconi government is less than three weeks old and has spelled out few details of its commitment to stimulate the current timid recovery. But Mr Fazio's comments are likely to become the benchmark against which government policy will be judged.

The bank is clearly concerned that Mr Berlusconi's rhetorical electoral promise of creating 1m jobs and encouraging business confidence through fiscal incentives risks being inflationary. Italy's inflation, annualised at 4.1 per cent, still remains well above the average despite a sharp drop in domestic demand and a drop in real earnings over the past two years.

He gave cautious endorsement to the cabinet's decision

last Friday to unfreeze public works blocked by the two-year-old corruption scandals and moves by the previous Ciampi government to introduce new laws on bidding and awarding contracts. Public works investments fell last year by 16 per cent, he said.

Renewed investment could help job creation and the recovery, as well as raise the standard of Italy's poor infrastructure. But Mr Fazio insisted old habits of wastage and corruption had to be avoided.

In the context of public works projects, Mr Fazio backed the Delors White Paper on job creation through infrastructure projects. By emphasising this and almost ignoring the issue of moves towards monetary union, this suggests the bank will continue to adopt a wait-and-see attitude towards developments over implementation of the Maastricht Treaty.

Mr Fazio was careful to stick to technical advice and thus avoid an early confrontation with the new government, several of whose members are anxious to curb the 100-year-old institution's autonomy. On public spending he threw his weight behind the new government's desire to reduce the excessive benefits of the state pensions scheme.

He made no mention of a successor to Mr Lamberto Dini, who left from being the governor's deputy to become treasury minister on May 18. Instead he paid fulsome tribute to Mr Dini's role especially on the international scene and looked forward to "intense collaboration" between the treasury and the Bank of Italy.

But he also concluded with a reminder of the bank's ultimate role. "Acting in the exclusive interests of the country with the aim of contributing to stable development, the Bank of Italy will be careful to prevent any brusque movement in the value of the currency," he said.



Senator Sam Nunn: proposed switch to US location

Nationalist sentiment may compel change of venue Hitch in plan for US-Russian exercises

By John Lloyd in Moscow

A joint peacekeeping exercise between US and Russian troops, planned for this month in Russia and meant to symbolise the closer co-operation between the two former antagonists, is now likely to take place in the US, in deference to Russian nationalist sentiment.

Mr Sam Nunn, chairman of the US Senate Armed Services Committee, said in Moscow yesterday that he had proposed the change of venue after learning that the exercise had been "indefinitely postponed" by President Boris Yeltsin.

A senior Pentagon official said last night that "Senator Nunn's proposal is one possibility. We are following on with conversations with the [Russian] defence ministry about a possible postponement."

Mr Nunn said the incident did not necessarily mean Russia would not take a full part in the Partnership for Peace - the Nato plan to draw former communist countries into association with it, which Russia has said it will sign this month. He said that the Russian government "must do a vigorous job in explaining things to its people."

The shift of venue, and the victory of the nationalists in having the exercise moved, was lambasted yesterday by Mr Yegor Gaidar, former deputy prime minister and leader of the liberal Russia's Choice party, as "a syndrome of paranoid re-militarisation" - in contrast to the "steadfastness and courage" of the US in proposing to host the exercise. "Our military men would be happy to act like Enver Hoxha [former leader of Albania] to sprinkle pillboxes all over Russia and to protect us with sharp barbed wire and rows of tanks from the rest of the world."

Mr Nunn said that "because it had become a political issue and there were local objections, we agreed to go back and recommend to President Clinton that the joint exercise be held on US soil. This should take away the most sensitive thing - because somehow the US is seen as victorious in the cold war. That's the feeling that was expressed to us."

The exercise, which would have included only 250 unarmed troops from both sides, was designed for training in peacekeeping techniques - now increasingly required by Russian military engaged in such missions in the former

Soviet states on its borders. It had been agreed earlier this year in talks between Mr William Perry, US defence secretary, and General Pavel Grachev, Russian defence minister, but has been a controversial issue in parliament ever since.

Mr Vladimir Lukin, chairman of the duma's foreign relations committee and a former Russian ambassador to the US, said yesterday that partnership with other countries, including the US, required "delicacy and tact" because of a growing feeling that "national pride was being humiliated."

Tail wags the dog in Groupe Schneider affair

By Emma Tucker in Brussels and John Riddick in Paris

This morning, Mr Didier Pineau-Valencienne, chairman of France's Groupe Schneider, will be led from the notoriously unpleasant Foret prison in Brussels for a hearing in a fraud case before Belgium's prosecuting authorities.

At roughly the same time, on the other side of town, minority shareholders of Cofimines, the Schneider subsidiary, will have another chance to voice their grievances against the beleaguered French chairman at their annual general meeting.

It is thanks to the aggressive tactics of the two Belgian subsidiaries - Cofimines and Cofibel - that the investigation into the French electrical engineering group was triggered.

Their initial complaints centred on claims that Schneider's 1992 bid to buy them out had undervalued their shares. At the end of last year shareholders reached an agreement with Schneider, after which they agreed to withdraw legal proceedings.

At least one, however, did not accept the deal. Yesterday Mr Andre de Bary, a prominent Belgian property owner and shareholder in both Cof-

mines and Cofibel, said he had independently collected thick files of information that incriminated Mr Pineau-Valencienne. He claimed that Schneider manipulated sales of shares between its subsidiaries in order to benefit its own balance sheet. He denied suggestions in the French press that he had prompted the Belgian authorities to continue their investigations.

"There was nothing to stop the authorities acting on their own," he said yesterday. "My duty is to be a shareholder and to ask for questions of principle to be restored."

Yesterday, Groupe Schneider

denied it had harmed the interests of minority shareholders in Cofimines and Cofibel. The French group said it had invested BFR2.2bn (\$65m) in Cofibel and Cofimines since 1989 and that the two companies had seen their net assets per share rise by 3.75 times and 4.75 times between 1981 and 1992.

Schneider said the offer, launched in 1992, to buy out minority shareholders in the two companies was equivalent to 4.25 times the share price of Cofibel in 1981 and 4.6 times the share price of Cofimines at the same date. During the same period the Brussels

bourse rose in value by 4.59 times. "These facts show that the relations between Schneider and its Belgian financial subsidiaries were not developed for sole benefit of the majority shareholder," the company said.

The affair continued to provoke indignation, and a certain amount of smugness in the Belgian press. Long used to being dismissed by the French as *les petits Belges* they enjoy jabbing their arrogant neighbour.

L'Echo, a Francophone financial daily, said Belgium's "audacity" in daring to imprison a member of the

French establishment had prompted indignation, and occasionally insulting comments about the Belgians in the French press. All the Belgian newspapers have meanwhile vigorously defended the reputation of Mr Jean-Claude Van Espen, the Belgian prosecuting judge responsible for detaining Mr Pineau-Valencienne.

EU verdict on chemical venture expected

By Emma Tucker in Brussels and Daniel Green in London

The European Commission is expected to decide today whether to allow Montedison and Royal Dutch/Shell to create a joint chemicals venture, Montell, in polyethylene and polypropylene.

An advisory committee to the Commission had recommended a veto of the \$6.6bn venture last week and Montedison's share price fell almost 9 per cent last Friday on fears that the deal would be abandoned. The shares have since

recovered as the companies pointed out they could change details of the proposed deal.

A public announcement is expected from the Commission next week, ahead of a June 15 deadline. Yesterday, senior managers from both prospective joint venture partners were in Brussels to present final arguments to the Commission. The Commission will discuss these arguments with its special committee today.

The deal is important to both Montedison, industrial arm of the collapsed Ferruzzi empire, and Anglo-Dutch petrochemi-

cals group Royal Dutch/Shell. In an industry suffering from over capacity in eastern Europe, they are facing cut-price competition from eastern Europe in polypropylene and the Mid-east in polyethylene.

The two companies have been careful to stress that their collaboration is over polypropylene technology, not their combined European Union market share which they say would be 24 per cent. Advances in technology are one of the main planks of defence against cut-price commodity imports from eastern Europe.

In addition, Montedison's plastics subsidiary Himont has developed a technique for making a type of polyethylene (linear low density polyethylene or LLDPE) which is an improvement over older methods in some respects. Shell has the cash resources and the raw material, ethylene, to accelerate development of Montedison's LLDPE. According to chemicals consultancy Chem Systems, European demand for LLDPE should almost double by 2000, while that for older forms could rise by less than 10 per cent.

The application for the venture has been contested by other European manufacturers, led by US-owned Union Carbide, and Belgium's Petrofina. The commission opened an inquiry earlier this year, suspecting that even if limited to a technology joint venture, the combination would prove too powerful.

Brussels argued that technology developed by the companies - Spheripol by Montedison and Unipol by Shell and Union Carbide of the US - was used by 70 per cent of the world's polypropylene manufacturers.

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Gross Income	: Rs 42800 million
Foreign Exchange Earnings	: Rs 8220 million
Market Capitalisation	: Rs 67940 million
(Monthly average 1993-94)	
Profit Before Tax	: up by 34%
Profit After Tax	: up by 33%
Dividend Per Share	: Rs 8.50
(Recommended)	
BONUS	1 : 1
(Recommended)	

I.T.C. Limited

Highlights of the Audited Financial Results for the Year ended 31st March, 1994

	Financial Year Ended 31.03.94	Financial Year Ended 31.03.93
(Rs in Million)		
GROSS INCOME	42800	38100
NET INCOME	23880	19380
PROFIT BEFORE TAX	3500	2610
NET PROFIT	2060	1550
NET ASSETS EMPLOYED	14070	10430
PAID-UP EQUITY SHARE CAPITAL	1210	1170
RESERVES	6000	2970
DEBT/EQUITY	0.95:1	1.52:1
EARNINGS PER SHARE (Rs)	17.38*	13.31
DIVIDEND PER SHARE (Rs)	8.50*	6.50

* 1993-94 Weighted Average as Recommended

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International Business Division • Agri-businesses Division
Tribeni Tissues Division • Financial Services Division

I am glad to report that ITC's results this year continue to reflect a healthy trend.

The company made steady progress in all its businesses in the Indian market and also gained further ground in international markets. ITC Global Holdings, Singapore, is now well placed to give a further fillip to our international operations through its eleven existing, and three proposed, offices.

An Eventful Year : ITC's first GDR issue received an enthusiastic response. Its oversubscription of more than 9 times was a ready acknowledgement of ITC's track record and future potential. This has strengthened the financial position of the company to sustain further growth.

A strategic alliance was entered into with Zeneca Seeds of UK with the promotion of ITC Zeneca Ltd. This will help boost farmer productivity through superior performance seeds. In the changing environment, India's agri-based

industries can play a significant role in the global context and this move will reinforce our position.

Significant progress was also made in giving shape to strategic alliances with international partners in the field of financial services - an area which holds considerable promise in today's environment.

New Responsibilities:

With the accelerated pace of liberalisation, ITC remains committed to contributing its mite to the economic progress of the country. We will, as always, be at the forefront of any initiative that requires us to grasp the unfolding opportunities and challenges.

Together with my colleagues, I look forward to a stronger India in which we, as one of India's emerging multinational enterprises, can play an abiding role.



Chairman's Statement

(K. L. Chugh)

EUROPEAN NEWS DIGEST

EU tightens beef controls

European Union agriculture ministers yesterday agreed tighter controls against "mad cow" disease (BSE) in an effort to divert German threats to ban imports of British beef. The ministers, meeting in Brussels, backed a package of measures from Mr René Steichen, agriculture commissioner, including extending to all member states a ban on the use of meat and bone meal in cattle feed. A ban has been in place in Britain since 1988. "It should be sufficient to dispel any fears the German farm minister [Mr Jochen Borchert] might have had," said Mr Steichen. The measures proposed by Mr Steichen include raising temperatures in the meat rendering process, restricting the use of meat by-products in cosmetics and ensuring checks in all member states to detect BSE.

However, pressure for a unilateral ban on British beef imports has come from Mr Horst Seehofer, German health minister. Bonn argues that it is not certain that humans are not at risk from BSE. Mr Seehofer will discuss the issue further with his EU counterparts at a health ministers' meeting tomorrow. *Alison Maitland, London*

Greek warning to banks

Greece's central bank governor, Mr Yannis Boutos, warned yesterday that commercial banks could not expect any assistance in covering losses incurred in the current upheaval on local financial markets. His warning came as competition for funds between banks and the finance ministry intensified. With liquidity still being squeezed, banks were offering much higher interest rates for short-term deposits yesterday. Private Greek banks were offering rates of 35-50 per cent on one-month deposits of more than Dr1m (€2,700). This compared with 27 per cent on the government's new zero-coupon one-month bond available to investors with more than Dr15m. Mr Boutos claimed the battle to save the drachma from devaluation had been won, and that short-term interest rates, still at more than 100 per cent on the interbank market, "would de-sensitise over the next one or two weeks". The drachma slipped against the D-Mark yesterday, closing at Dr149.1, down from Dr147.9 on Monday. *Karin Hope, Athens*

Shift on sale of Polish insurer

Poland's finance ministry has dropped plans to break up PZU, the country's largest insurer. It will privatise the state-owned company as a whole, in line with management suggestions. Mr Roman Fulmeczek, PZU president, argues that the company should be kept together to better face the challenge of the liberalisation of the country's insurance market in 1999. PZU which reported a 325bn zloty (€9.6m) net profit last year controls about half Poland's fledgling insurance market. The decision includes devoting around 600m zlotys worth of profits earned by PZU Zycie, a wholly-owned subsidiary, to plug a 1,500m zloty gap in PZU's reserves. This would avoid the need to draw on a \$200m loan offered by the European Bank for Reconstruction and Development to underpin a government bond issue designed to bolster PZU's finances. The ministry also appears to have accepted PZU management's three-year privatisation strategy. *Christopher Bobinski, Warsaw*

Germans alter arms sale rules

The export of German weapons systems made with foreign partners will no longer need special approval following measures intended to make German companies more competitive. The economics ministry said projects undertaken with companies in the 25 member countries of the Organisation for Economic Co-operation and Development could now go ahead without approval if German components made up less than 20 per cent of the product. Previously, all weapons exports had to be cleared by the Federal Security Council, which oversees defence policy. Such international projects would only be allowed if Nato saw a need for the weapons systems and companies involved would have to agree in advance where the finished product would be sold, a measure designed to prevent sales of arms to so-called "crisis zones" like the Middle East. The new rules will not apply to nuclear, biological or chemical weapons or their delivery systems. *Michael Lindemann, Bonn*

Heart surgery scandal claims

Mr Horst Seehofer, German health minister, gives evidence to a parliamentary committee today about mounting charges that heart surgeons have been falsifying the cost of operations, part of an alleged network of abuse which may total up to DM45m (€18m). The federation of health insurance funds said some doctors had been pocketing up to DM3,000 per cardiac valve they fit. Another insurance association said it had evidence that prices for artificial joints and other products had also been inflated. Mr Seehofer said a senior official had been dismissing the claims since February. Public prosecutors and local health insurance funds had meanwhile taken over the investigations. *Michael Lindemann*

Setback for Latvian coalition

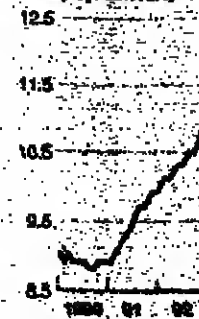
Latvia's government coalition partners appear to have been trounced in Sunday's local elections in preliminary results which suggest a mixture of discontent with economic reforms and wariness about attempts to mend relations with Russia. The pro-market Latvian Way and the Latvian Peasants Union coalition government, which wants better protection for farmers from western competition, have together maintained a course of effective but unpopular financial stabilisation policies. The poll results, which partially benefit more extreme nationalists, may also affect the government's progress in pushing through long-postponed legislation clarifying which non-Latvians (who comprise 48 per cent of the population) qualify for citizenship. *Leyla Bouillon, Moscow*

ECONOMIC WATCH

More unemployed in France

France

Unemployment rate, %



Source: Employment

optimistic official economic growth forecasts. Mr Edmond Alphandery, economy minister, told *Le Figaro* newspaper that gross domestic product this year was likely to exceed the government's 1.4 per cent forecast. Growth could reach the 1.6 per cent level forecast by the European Commission. *John Ridding, Paris*

Industrial sales in the Netherlands rose 3.5 per cent in March from a year earlier and were up 1.3 per cent in the first quarter on a year-to-year basis, the government reported yesterday.

Italy's foreign debt has fallen to L150,000bn (€53bn) from L175,000bn at the end of 1992, and a further reduction can be expected in 1994, according to Bank of Italy governor Antonio Fazio.

Denmark's current account surplus slipped in February to DKr2.3bn (€237m) from DKr3.3bn the month before, but was unchanged from a year earlier, according to figures from the national statistics agency.



Bich: provided icon of contemporary consumption

Marcel Bich: a purveyor of the disposable leaves indelible mark

Alice Rawsthorn reports on the death of the creator of the Bic line

There are a handful of businessmen and women in France whose personalities are so powerful that they are deemed by the media to have earned the epithet of *le grand patron*. Baron Marcel Bich was one.

Baron Bich, who died on Monday at the age of 79, was one of the dynamic industrialists who breathed new life into the French economy during the post-war years. He not only created a world-class company in Bic, but his disposable pens, lighters and razors changed the everyday lives of ordinary people by introducing them to a new generation of inexpensive, practical products.

Despite his aristocratic title, the story of Baron Bich is an archetypal entrepreneurial

tale. He was born in Turin, the son of an Italian engineer who emigrated to France with his family. The young Marcel took French citizenship as a teenager. He then earned his living as a door-to-door salesman before studying law at Paris university.

Baron Bich worked in Britain in the 1930s, as production director of Stephens & Swan, the stationary manufacturer. But he returned to Paris, where he began his own business after the war. He started off with a small ink factory but in 1953 he scored the coup of his career by buying the patent rights to a ballpoint pen designed by Ladislao Biro, a Hungarian.

The biro's launch brought out the best of Baron Bich as a

marketer. His handy 50-centime version of the old-fashioned fountain pen was the perfect product for the never-had-it-so-good consumers of the 1950s, 1960s and 1970s. Roland Barthes, the French intellectual, wrote an essay hailing it as an icon of contemporary consumption. The Bic biro also made the baron one of the few industrialists whose name has slipped into the vernacular.

The Bic group diversified into disposable lighters in 1973 and razors in 1976. The baron then dabbled in acquisitions by buying DIM, the hosiery manufacturer, and Roy, the lingerie company. But he was far from infallible. His foray into the fragrance market in 1988, with the introduction of Bic perfume, was a flop.

Despite the demands of his business, Baron Bich always conformed to the cliché of the *grand patron* by being a larger-than-life character who lived his life to the full. He had 11 children one of whom, Bruno, succeeded him as chairman of Bic when he reluctantly gave up the reins three years ago.

The baron also loved sailing and raced his yacht, the *France*, four times in the America's Cup. His press pictures invariably portray him beaming from the helm clad in a spruce linen suit and snowy white cap. It was the closest the media got to him. Baron Bich gave his last press interview in 1989. He did not like what the journalist wrote and saw no need to bother being interviewed again.

Danes question subsidies for E German shipyard

By Hilary Barnes in Copenhagen

Denmark is to take up with the European Commission complaints by the Association of Danish Shipbuilders over the level of subsidies to the MTW shipyard at Wismar in eastern Germany. The Danes fear that sub-

dies to MTW (now owned by Bremer Vulkan of west Germany) and other yards in former East Germany will put their own yards out of business.

Under the terms of a 1992 European Council agreement MTW was allowed to receive DM1.6bn (€640m) from the EU - DM1bn in investment subsidies

and DM600m as an operating subsidy covering the three years 1994-1996. The final tranche of the latter was paid last month. A condition of the operating subsidy was that it should comprise a maximum of 36 per cent of "normal turnover" for the period. Danish shipbuilders claim that the

turnover will in fact be much lower than envisaged at the time of the agreement, elevating the subsidy as a share of turnover to a much higher level.

The Danes point out that other European shipyards are not allowed to receive a subsidy of more than 9 per

cent, and that a serious effort is under way by member nations of the Organisation for Economic Co-operation and Development to agree on abolishing shipbuilding subsidies altogether. They believe the Wismar yard is too big to be able to operate profitably.

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NEWS: EUROPEAN ELECTIONS

Voters divided on EU's important issues

By David Marsh

Europeans generally favour enlarging the EU northwards and eastwards, but are deeply split over the desirability of deepening integration as laid down by the Maastricht treaty, according to an opinion poll commissioned by the Financial Times.

The poll, carried out for the FT and seven European newspapers, reveals great diversity among the 12 EU member states on attitudes towards the European parliament and the future of European co-operation.

The detailed findings are as follows:

● Only 31 per cent of British people surveyed said they wanted a more integrated Europe, compared with 61 per cent favouring a looser form of European co-operation. Similar votes were seen in east Germany, Denmark and west Germany, where scores were 33 per cent to 62 per cent, 26 per cent to 61 per cent and 37 per cent to 58 per cent against Maastricht-style integration respectively. By contrast, between 64 and 72 per cent of respondents in Italy, Netherlands, Spain and Belgium favoured more integration.

● Residents of Ireland and the UK appear to believe most strongly that a single currency will be established by the end of the century, with 63 per cent and 64 per cent respectively saying they believed this was either "very likely" or "fairly likely". Greatest scepticism in this field came from the "hard currency" countries, with 61 per cent of east and west Germany and 52 per cent of Dutch respondents holding the view that this was unlikely.

● Asked about responses to the conflict in former Yugoslavia, 38 per cent of respondents throughout the EU, spread fairly evenly among the 12, argued in favour of continued diplomatic efforts to end the fighting. Only 16 per cent and 17 per cent respectively called for combat troops or air strikes to bring peace.

● Regarding the European elections, 72 per cent of all

FT election opinion poll: how Europeans see the future of their continent



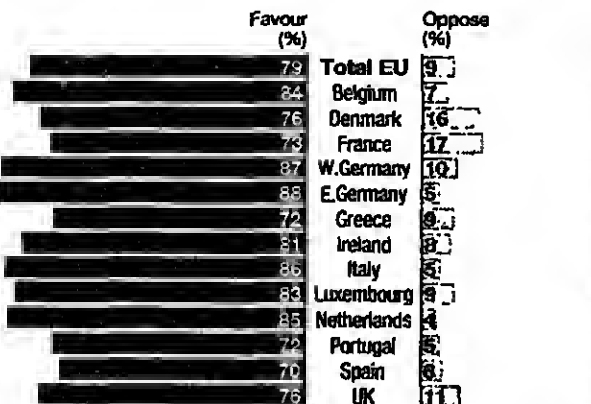
● The poll, commissioned by the Financial Times in association with Süddeutsche Zeitung (Munich), Les Echos (Paris), Il Sole 24 Ore (Milan), La Vanguardia (Barcelona), de Volkskrant (Amsterdam), Svenska Dagbladet (Stockholm), and Diário de Notícias (Lisbon), was carried out by Harris Research. It is based on telephone interviews carried out between May 11 and May 24 with 6,439 people aged 18 and over throughout Europe. The following telephone interviews were carried out: Belgium (501), Denmark (500), France (501), Italy (501), Luxembourg (502), Netherlands (502), Portugal (500), Spain (504), UK (800).

Further details available from Harris Research, Tel 091-8485011, fax 091-8485335.

How effective is the EU?



Do you favour EU enlargement to Sweden, Finland, Norway and Austria?



respondents said they were "absolutely certain" to vote, while 7 per cent described their turnout as "very likely", 8 per cent as "fairly likely", and 6 per cent as "not very likely".

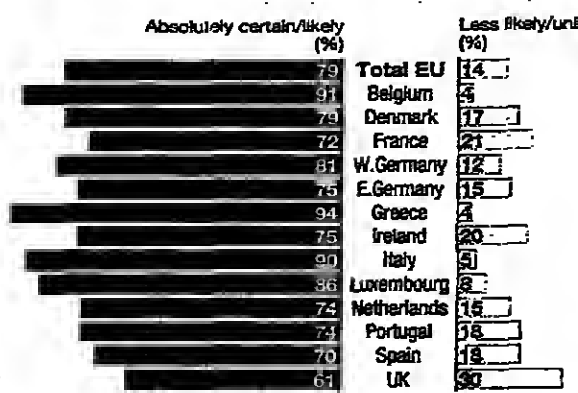
Only 49 per cent of British said they were "absolutely certain" to vote, compared with 93 per cent in Greece, 89 per cent in Belgium and 83 per cent in Luxembourg (in all three countries, voting is compulsory). By contrast, 76 per cent of respondents in west Germany and 67 per cent of

those in east Germany said they were certain to vote.

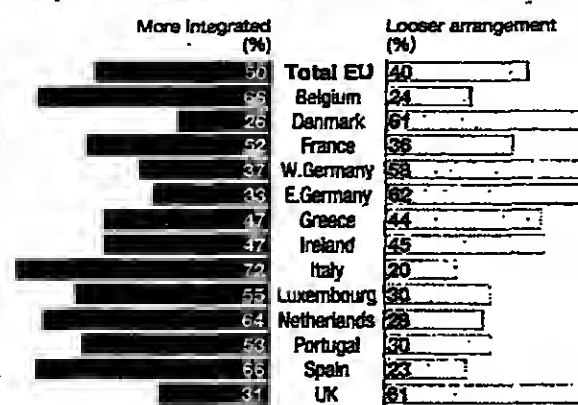
● Of those "absolutely certain" to vote, 56 per cent of the Irish, 55 per cent of Portuguese and 53 per cent of east Germans said they would do so to support their countries' governments. Only 35 per cent of Britons and Danes and 15 per cent of Belgians gave this as a reason.

A protest vote seems particularly likely in the UK and Spain, where 26 per cent and 23 per cent of respondents respectively said they would

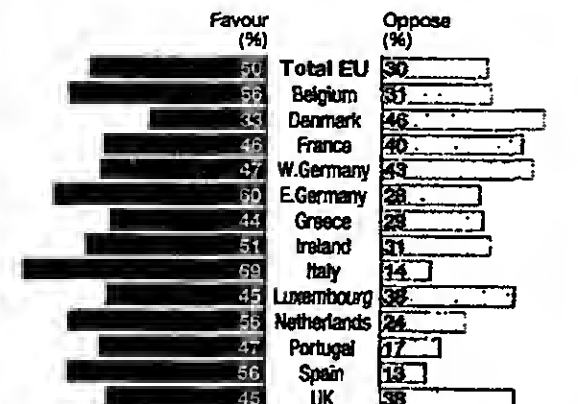
How likely are you to vote in the European elections?



Do you favour a more integrated Europe as envisaged under Maastricht or a looser arrangement between independent nation states?



Do you favour EU enlargement to Czech Republic, Hungary, Poland and Slovakia?



vote to voice opposition to their governments.

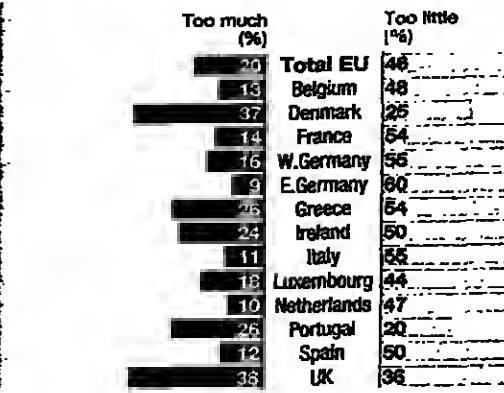
● Denmark recorded the highest score - 35 per cent - of respondents saying they were not certain to vote because they "do not understand the [European] issues". Others who admitted failure to understand European affairs were the British (32 per cent) and Italians (29 per cent).

● On enlargement, the proposed extension of the EU on January 1 1995 to Sweden, Norway, Finland and Austria is given particular support by

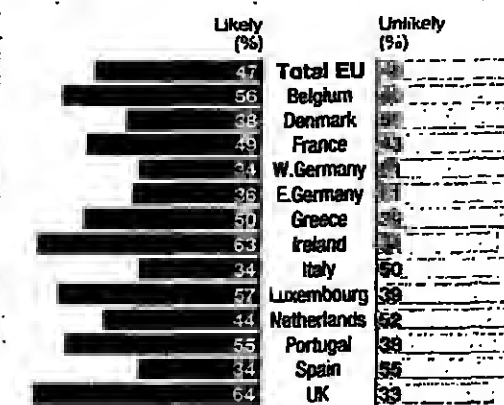
west Germans (87 per cent), east Germans (88 per cent), and Italians (86 per cent). Even those most lukewarm on enlargement to the eight countries - the Spanish and Portuguese - are 70 per cent and 72 per cent in favour.

● There is more divergence over enlarging the EU to former Communist countries. The largest scores in favour of bringing in the Czech Republic, Hungary, Poland and Slovakia came from Italy (69 per cent), east Germany (80 per cent), Belgium, The Nether-

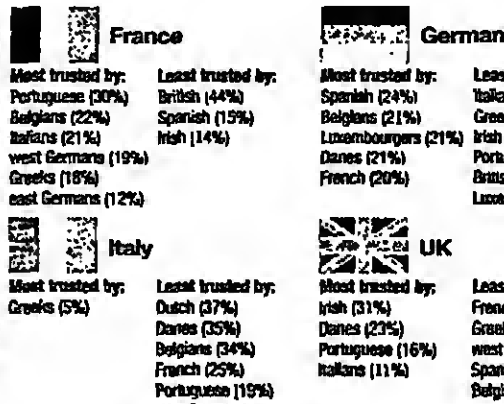
Does the European parliament have too much or too little power?



Will there be a single currency in at least 3 EU members by 2000?



Which EU countries are most trusted and distrusted?



lands and Spain (56 per cent each). The lowest scores were seen in west Germany and Portugal (47 per cent), Luxembourg and Britain (45 per cent) and Denmark (35 per cent).

● British and Danish respondents stood out as thinking the European parliament has too much power, with 38 per cent and 37 per cent of respondents respectively holding this view. By contrast, 60 per cent of east Germans, 55 per cent of west Germans and Italians, and 54 per cent of Greek and French respondents said par-

liament has too little power - a view held by 46 per cent of respondents throughout the EU.

● Britons and Danes also believe the European Commission is too powerful, with 58 per cent and 51 per cent of respondents taking this line.

The main defenders of the European Commission seem to be the east Germans, Spanish, Italians and Belgians - between 40 per cent and 43 per cent of these respondents say the Commission has too little power.

A case of mind over doesn't matter

By John Riddling in Paris

To stand, or not to stand? The question is taxing and dividing a group of French intellectuals who had pledged to run in the European parliamentary elections on a ticket which supports Bosnian Muslims.

Professor Leon Schwartzberg, a cancer specialist and the head of the "Europe begins in Sarajevo" list told RTL radio yesterday that he would press ahead with plans to contest the June 12 vote. His statement followed an announcement on Monday by members of the movement that they would not contest the elections, having already publicised their call to lift the arms embargo on Bosnia.

"We do not have the right to play with institutions," said Prof Schwartzberg, referring to the fact that election lists cannot be withdrawn once they have been registered with the Interior Ministry. But he admitted that it was unlikely that there would be ballots for the movement of all polling stations. His comments will cause concern for the Socialist party, which appears most at risk from the Sarajevo candidates' 12 per cent in recent polls.

The U-turns of the past few days, however, reveal the divisions among France's intellectuals. Prof Schwartzberg is at odds with several other members of the movement, including Mr Bernard-Henri Lévy, a left-bank Paris philosopher turned film-maker, who has been the driving force behind "Europe begins in Sarajevo".

His film, *Bosnal*, which was released at the Cannes film festival earlier this month and which dramatises suffering of residents of Sarajevo, prepared the way for the launch of the movement. But Mr Lévy and his supporters voted in favour of a withdrawal of the Sarajevo slate at the European elections, arguing that the plight of Bosnia would be raised and that it would continue to campaign for an end to the arms embargo by other means.

Mr Schwartzberg, however, sees it differently. True intellectuals, he said, such as Jean-Paul Sartre and Albert Camus would not have withdrawn at the last minute. He criticised his opponents within the movement for seeking "personal publicity" and said that they had never intended to go as far as the elections.

Bavaria's bogeymen in retreat

The far-right's main hope lies in a low turnout on polling day, writes Quentin Peel

On the side of a shabby truck parked under the medieval clock on the town hall in Munich's Marienplatz a poster was tacked up with a picture of a miserable looking cow in the German national colours.

Sucking away at its udders were 11 other member states of the European Union, and the slogan simply said: Stop it!

As the tape-recorded strains of a brass band faded away from the speakers, Mr Wolfgang Hütt, Bavarian chairman of the far-right Republicans and candidate for the European parliament, warned to his theme.

"We have had a belly-full of paying for Europe and the rest of the world," he shouts.

He has to shout, because his speech is being drowned out by a barrage of whistles and calls from an audience dominated by political opponents from the left and the far-left, and a handful of bemused-looking tourists.

The only supporters seem to be a few caricatures of heavy bodyguards surrounding the truck, and a handful of elderly sympathisers at the front.

Munich is home base for the Republicans and their leader, Mr Franz Schönhuber, and Bavaria is the state where the far-right bogeymen of German politics shooed the political establishment by winning almost 15 per cent of the vote in the last European elections.

Five years later, and they seem to be having a lot more trouble getting their message across.

The rhetoric is anti-European integration and solidly nationalist. Yet the party really has no proper European election programme, apart from opposition to the Maastricht treaty and Germany's hefty net contributions to the EU budget. Between the lines, the real theme is anti-foreigner and anti-immigration.

Mr Schönhuber's hopes of



A far-right Republican rally in the centre of Munich attracts left-wing protesters

exploiting the issue as successfully again have been hit by two factors: all the main political parties have successfully negotiated a constitutional compromise, which has radically reduced the number of asylum-seekers flooding into the country; and at the same time his party has been tarred with the brush of violent attacks on foreigners.

"The overall number of foreigners is too great, that is the impression of the people," says Mr Hermann Regensburger, state secretary in the Bavarian interior ministry. "There are pressures on the housing mar-

ket and in the labour market. There are sometimes more than 50 per cent foreign children in individual schools."

Since the asylum compromise came into effect last July, however, the monthly numbers of asylum seekers have dropped by more than 50 per cent. Now there is no automatic right to asylum in Germany if the applicant has come from a country classified as having no political persecution, or if he or she has passed through a third country on the way.

"The Republicans are fighting their campaign primarily

on the theme of foreigners, mixed with the theme of law and order," says Mr Regensburger.

she says. "Many are on social assistance, unemployed or homeless. The discontented used to drift left, and now they are drifting right. It is the same as in Britain and France." She agrees, however, that the "thing has been taken out of the asylum issue" thanks to the drop in numbers.

The real danger in the European poll is simply persuading voters to turn out.

"I think we will have difficulty getting people to the polls at all," she says. "I think we will be pleased if we get 60 per cent turnout in Munich."

The turnout will also be a key issue for the ruling Christian Social Union (CSU) in Bavaria - because the party needs a high vote in its home base to cross the 5 per cent hurdle needed nationally for winning seats in the European parliament.

The party has been forced to adopt a harsh line on immigration and a Euro-sceptical line on Maastricht to head off the challenge from Mr Schönhuber and other assorted protest movements. But at the end of the day, the turnover will count.

Mr Ingo Friedrich, the party's lead Euro-candidate, says they will have to win 40 per cent to get in, and higher still if the Bavarian turnout is down.

In spite of his party's Euro-scepticism, he argues that immigration and organised crime can only be tackled on a European level - through cross-border co-operation.

"The argument against Schönhuber is that we need a European police," he says. "That is very popular."

"We argue that the Republicans don't belong to the ranks of respectable parties. We can also point to their voting record in the European parliament."

"They are lazy and have done nothing. The German voters don't like to see that."



Abel Matutes, 52, the outgoing European commissioner for energy and transport, now heads the list of European parliament candidates for Spain's Popular party, the conservative opposition, which is tipped in the polls for first place.

Q: Who would swap a post in the European Commission for a seat in the European parliament?

A: Someone who is convinced that at this moment my job is to lead the European list because of the great political significance of these elections.

Q: What will be the big themes of this campaign?

A: We have to make European integration compatible with a more realistic and firm defence of legitimate national interests. We have to get away from a simple romantic vision of Europe, because Europe will only be built solidly on the basis of realities. And if in the end the sums do not work out for the Spanish in this integrated Europe, the very process of European integration will be at risk because Spaniards will lose sympathy and reject it. This former defence of national interests has two dimensions. One is a more effective presence in European institutions in Brussels, but there is also an internal dimension - better European policy implies a good economic policy in Spain. Competition in the single market is not only between companies - a Spanish company against a German or a French company - but also between the economic policies of all the member states.

Q: Do you think European issues will really be aired in this election?

The campaign seems to be wholly focused on internal politics.

A: I try to air them. But I have



Abel Matutes: at head of Spain's Popular party list

to admit internal politics are the only theme that ultimately interests people.

Q: Do you believe the European parliament should have more powers than it does now?

A: The parliament had its powers considerably reinforced in the Maastricht treaty. It is now not just a budget chamber, but also a legislative chamber. Obviously, its sovereignty is shared with the council of member states, which also represents democratic governments. That is just where the difficulty lies. First of all, the parliament should concern itself with those questions in which it has competence, to demonstrate not only that it deserves these powers but also that it needs more, I would like to have parliament to have more powers, but let's try first with what we have, which is a new instrument.

Q: How do you see the impact of EU enlargement on Spain?

A: I am worried about it, because I am afraid the government, during the recent boom, failed to take adjustment measures and to make our economy more competitive.

Q: Most of the candidates on the lists are unknown figures, and are likely to remain so even after they are elected. Do you agree with the list system?

A: I have always preferred a system of individual constituencies because it makes members of parliament work harder for their seats. But in Spain we have a proportional system. Here the question is whether there should be a single national constituency or smaller ones. I think the electoral district should be the whole country rather than regions, because this provides a national dimension.

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NEWS: INTERNATIONAL

Decline has stopped but months of conflicting economic signals are predicted

Japanese recession bottoming out

By William Dawkins in Tokyo

Further evidence that the Japanese recession has hit bottom emerged yesterday, with a slight easing in unemployment and an official forecast of an improvement in business conditions.

Yet economic analysts warned that there were no signs yet of a clear recovery and that several months of conflicting economic signals could be expected as the economy humps along the bottom.

The state Economic Planning Agency's leading index of business conditions hit 90.09 in March, rising from 84.2 in February, the 30th month at which it has stayed above the 50

dividing line between growth and contraction. The index, designed as a barometer of business conditions up to six months ahead, has proved erratic in the past. Yet it was unusually consistent in March in that all but one of the index's 13 components improved, except for commercial property, where the market continues to weaken.

"It confirms that the decline has stopped, but it does not mean that the economy is going up. Capacity is still increasing faster than demand," warned Mr Hirohiko Okumura, chief economist at Nomura Research Institute.

Mr Brian Rose, senior economist at Daiwa Institute of Research, said: "We hit the bottom

in the fourth quarter of last year. Nothing since then has changed that view. The recovery is weak, so we won't yet see a series of figures clearly pointing upwards."

The EPA itself was even more cautious and warned that it was too early to say whether the worst was over.

Japan's jobless rate fell to 2.8 per cent in April, from 2.9 per cent in the previous month. The Management and Co-ordination Agency announced yesterday. But again the improvement is fragile, in the light of the labour market's continued weakness. There were only 66 jobs available for every 100 applicants last month, the same as in March and only a small

improvement from the low of 65 last December. Manufacturing industry is the hardest hit, where the workforce declined by 1.1 per cent from April 1993, for the sixth month running. Within this, there was one bright sector, construction, where the numbers employed rose by 3.2 per cent in April, propelled by a recovery in housing starts, up 11.6 per cent in the same month, according to the Construction Ministry yesterday. Housing starts dipped by 0.1 per cent in March.

Overall, 65 per cent of Japanese companies reduced overtime last year because of the recession, according to a survey by the Leisure Development Centre, a state research body.

NEWS IN BRIEF

S Africa rejoins Commonwealth after 33 years

South Africa is today to become the 51st member of the Commonwealth, rejoining the grouping from which the then white minority government withdrew 33 years ago after declaring a republic. Our Foreign Staff writes.

Chief Emeka Anyaoku, Commonwealth secretary general, said the admission of a non-racial South Africa following democratic elections in April would assist in "making the world safer for diversity". The organisation planned to co-sponsor a conference with the United Nations in mid-September for potential donors "to help South Africa make up for the huge gaps made by years of apartheid".

Yesterday the country also joined the Non-Aligned Movement of developing countries as delegates began a conference in Cairo. Taking his seat Mr Alfred Nzo, South African foreign minister, committed his country to share its economic, technological and scientific skills with developing nations, particularly in Africa.

UN goes to Rwanda camp

The United Nations sent investigators yesterday to a camp in government-held territory in Rwanda where aid workers said 500 people were massacred. Reuter reports from Kigali.

Rebels and government troops resumed fighting despite talk of a truce and UN officials and witnesses reported that an officer serving with the UN force was killed by a mortar blast just inside the government-held part of the capital, Kigali.

The reported massacre was the latest indication that mass killings were continuing in the central African nation, where half a million people are estimated to have died in seven weeks.

Libya pulls out of Chad land

Libya and Chad said in a joint statement yesterday that Libya had completed its withdrawal from the Aouzou Strip, which it had occupied since 1973. Reuter reports from Tunis.

Chad state radio said Mr Abdelhamid Miskine Izzo, interior minister, other Chadian officials and United Nations observers had witnessed the handover by Mr Omar al-Montasser, Libya's foreign minister. The 110,000 sq km region is thought to contain oil and uranium. Chad and Libya twice went to war over the strip. In February the International Court of Justice ruled it belonged to Chad.

Boost for HK property

Hong Kong's property market, under scrutiny by the government, has received a boost following the sale of the New Territories San Miguel Brewery site for HK\$2.5bn (\$450m), sharply above market expectations, writes Louise Lucas in Hong Kong.

The 48,700 sq ft site went to Diamond Hill Development, a vehicle in which Wheelock, Wharf Holdings and Hong Kong Realty and Trust have equal shares. Both Wharf and Hong Kong Realty are partly owned by Wheelock.

Uncertainty has hovered over the market since March, when Mr Chris Patten, the governor, announced his intention to look at means of controlling prices amid concerns that some ownership was beyond the reach of many families.

Manila trade deficit up 30%

The Philippines posted a trade deficit of \$1.66bn in the first quarter, up 30 per cent on the year before, as total imports continued to grow at a faster rate than exports, writes Jose Galang in Manila.

The central bank said yesterday that total imports rose 22 per cent to \$4.58bn while exports increased 18 per cent to \$2.92bn.

Taiwan budget trimmed

Taiwan's legislature has trimmed the government's proposed 1994-95 budget by 2.15 per cent, including a cut of \$203.7m in defence spending, AP reports from Taipei.

Defence spending will now be the least 24.5 per cent of the total, up from 23 per cent in 1994.

Amnesty hits at China

Amnesty International, the human rights group, demands today that China release political prisoners and end torture in its prisons, saying thousands arrested in the crackdown five years ago continue to be imprisoned and in some cases maltreated. Reuter reports from Beijing.

In a report issued to coincide with the fifth anniversary of the bloody army attack that crushed pro-democracy demonstrations in Beijing's Tiananmen Square on June 4 1989, the London-based group said: "Arbitrary arrests, unfair trials and torture continue to be widespread and the death penalty is used extensively for a wide range of offences."

NZ 'heads for first budget surplus in 17 years'

By Terry Hall in Wellington

New Zealand will show a budget surplus of NZ\$140m (\$245m) for the year to June 30, the first it will have achieved for 17 years, Mr Bill Birch, finance minister, said yesterday.

The forecast is a sharp turnaround from the Treasury prediction made last October before the general election which returned the National party government.

The Treasury then had predicted a deficit of NZ\$1.4bn for the June year.

Mr Birch said that because of the rapidly improving economy, tax receipts would be NZ\$2bn higher than expected, while government spending and other costs had been held down.

The projected surplus was the latest in a string of good

news items on the New Zealand economy. Other recent statistics have shown a steady improvement in the balance of payments, continued low inflation, and strong job creation.

National Bank, a Lloyds Bank subsidiary, in its latest survey released yesterday, reported that business confidence remained buoyant.

Optimism was increasing in the more densely populated North Island, which until now had been slower to enjoy the economic revival.

Two former senior executives of Fortex, a collapsed New Zealand meat company, were yesterday charged with 27 accusations of fraud totaling NZ\$42m. The charges included publishing a false statement.

They were Mr Graeme Thompson, the chief executive and a former New Zealand

Businessman of the Year, and Mr Michael Millin, general manager for finance.

The Securities Commission and other New Zealand authorities are investigating the company, whose sudden and unexpected collapse in March saw suppliers, farmers and other lenders lose up to NZ\$160m.

Fortex was known internationally for developing new slaughter operations and 24-hour production in an industry that for decades had been in the grip of tough unions.

It had an international marketing network, with plans to open a slaughterhouse in Britain.

Mr Alan Isaac, the receiver, says he has had over 40 expressions of interest in the company's two plants which are being offered for international tender. They are worth an estimated NZ\$100m.



Filipino link arms to escort foreign delegates to attend a human rights conference on East Timor in Manila yesterday. The Philippine Supreme Court yesterday cleared the way for the conference to open on schedule. It overturned a decision by a lower court that in effect banned the conference. Indonesia, accused by human rights groups of widespread killings, torture and detentions since it annexed East Timor in 1976, has bitterly opposed the privately organised conference. Bending to this pressure, President Fidel Ramos's government banned foreigners from attending and expelled 11 of them, but about 25 delegates managed to slip through.

Rift widens with international creditors ahead of scheduled visit by team from IMF

Nigeria tightens direct controls on foreign exchange

By Paul Adams in Lagos

Nigeria's military regime has increased direct control over scarce foreign exchange and export finance despite opposition from Mr Kalu I. Kalu, finance minister, and Mr Paul Oguwuma, central bank governor.

Increased state regulation of the economy has also widened the rift between Nigeria and its international creditors ahead of a scheduled visit this month

by an International Monetary Fund team.

This week, ministers are allocating \$15m out of a fortnightly average supply of \$100m, to companies for priority imports, mainly food. They say this is to prevent shortages in the shops later this year and correct distorted demand.

A committee chaired by Mr Samuel Ogburn, labour minister, including Mr Iyorchia Ayu, education minister, and Mr Aremu Yahaya, junior

transport minister, is expected to allocate most of the foreign currency for food importers to undisclosed companies.

"Something has to give soon," said Mr Kalu in an interview in the capital Abuja. "At the end of June I plan to hold a mid-year review of the economy. I want to review foreign exchange restrictions, the cap on interest rates and other controls, and look at ways to reduce bureaucracy and create incentives for producers."

Mr Alan Isaac, the receiver, says he has had over 40 expressions of interest in the company's two plants which are being offered for international tender. They are worth an estimated NZ\$100m.

"We need to create the minimum framework for resuming talks with the international creditors."

Other critics regard the direct allocation as creeping towards the import licence system, notorious for its corruption in the 1980s. "In our experience, this does not solve the problem," Mr Rasheed Gbado-mosi, Nigerian Industrial Development Bank chairman, said yesterday. "It can lead to accusations of abuse of power

and is straying from the fundamental problem: the low supply of foreign exchange. While non-oil exports are depressed, they will just be rationing the misery."

Mr Kalu and Mr Oguwuma have failed to block transfer of control over the Nigerian Export-Import Bank (Nexim-bank) from the central bank to the ministry of commerce and tourism and the appointment of Mr Tony Adaba as its new managing director. Both decisions were authorised by the presidency. "This is a financial institution, not a trade promotion council. It should be under the central bank," Mr Kalu said.

The cocoa industry is concerned about the security of \$10m which industry operators say is owed to farmers. The sum is left over from a levy by the International Cocoa Organisation which had not been remitted by the government when the levy ceased in 1990.

Pragmatism and opportunism, but no programme yet

Nikki Tait on Australian opposition leader Alexander Downer, one week on

Only hours after Mr Alexander Downer took over as leader of Australia's opposition Liberal party, a public opinion poll had him nine points ahead of Labor's incumbent, Mr Paul Keating, as the electorate's preferred prime minister.

Nearly 40 per cent of voters polled also thought an opposition led by Mr Downer had a better chance of beating Mr Keating's Labor government than one led by Mr John Hewson, Mr Downer's ousted predecessor. "Not so much a honeymoon - more of a love-in," remarked one commentator.

Sustaining this boost to the opposition's fortunes and capturing it in an appealing manifesto will prove more difficult.

For, while media attention has been concentrated on the Liberal leadership crisis and the recent personality jockeying, the party has faced a policy void ever since it lost the last election, in March 1993.

Going into that vote, the opposition's position was clear enough. Mr Hewson, a career economist before his switch into federal politics, had

split out a free-market economic reform package which was far more extensive than anything Labor proposed.

According to a party policy document called *Fightback!* a Hewson government would have moved swiftly to deregulate Australia's labour markets, largely eradicating compulsory arbitration and occupational awards; switched the taxation emphasis from direct to indirect via the introduction of a goods and services tax (GST); and, in all likelihood, passed control of monetary policy to an independent central bank.

But the prescription apparently proved too strong for an Australian electorate, squeezed by recession and fearful of the GST. Largely as a result of this, the opposition lost a supposedly "unlosable" election.

Today, the question is what sort of policies Mr Downer can articulate without running into the more moderately paced reforms pursued by Labor.

In his first week, the new opposition leader has given few direct hints - except to suggest that rigid ideology will be low on the agenda. Immediately after the leadership ballot, he refused to be drawn on specific policy issues, saying only that a "directional document" would be issued in the next few months. Even that would centre on broad guidelines, rather than detailed strategies.

"This is not an ideological party, or a frightening party... it is a practical, commonsense party... it is a practical, commonsense way," he said.

Commentators also struggled to read much into the revamped shadow cabinet, announced on Thursday. There was an inevitable preference for either Mr Downer's supporters or those of Mr Peter Costello, who joined Mr Downer on the "youth ticket" and becomes shadow treasurer. But Mr Hewson stays on, as industry spokesman.

Overall, the team is thought to be

"drier" than that of Mr Hewson, but Mr Downer himself has indicated that it was picked primarily with a view to giving Labor a rough political ride, rather than because of its ideological affiliations. Shadow ministers, he said, would have to be "strong in terms of their attack on the Labor party, in exposing the weaknesses of the Labor government."

As for Mr Downer himself, he comes into the Liberal leadership position with little ideological baggage. His most recent job was shadow treasurer, articulating the opposition's economic policy, and he is widely thought to have handled the task well.

But for much of the time, the Downer programme was to acknowledge Australia's increasingly cheerful economic numbers, and then poke holes in Labor's response to them. This approach had the merit of making Mr Downer

appear fair-minded, while throwing the spotlight on the weaker points - such as lagging business investment - in the Keating strategy. However, for the most part, it was an effective piecemeal attack, rather than a comprehensive statement of alternative policy.

That said, some economic cornerstones were established, and will probably form the basis for policy development in the months ahead. Mr Downer has, for example, consistently suggested that the financial leeway afforded to the government from Australia's faster-than-expected economic recovery should be used to reduce the budget deficit. Failure to do so, he has warned, will intensify the upward pressure on interest rates, and discourage the corporate sector.

He has also highlighted Australia's low household saving ratio as a critical area of concern. Lack of domestic savings, he has warned, is likely to exacerbate balance of payments problems, and fuel a "boom-

and-bust" economy.

Other key policy elements are likely to include measures to encourage investment by small businesses, and a few of the former *Fightback!* features - such as faster micro-economic reform in areas like the labour market, where the government's new industrial relations law is coming under heavy attack from employer groups, and greater independence for the Reserve Bank.

But there are also indications that the opposition's future policy emphasis will be wider ranging, putting additional weight on social issues, not just economic ones. On one level, a change of tack is almost certainly wise: the economy has been recovering strongly.

But on the broader plane, there are some large lacunae in Liberal party policy. For example, its handling of the high-profile and emotionally charged "Mabo" issues - the land rights and compensation entitlements of Australia's indigenous peoples - has been disastrous, with

the party appearing both callous and inconsistent.

The Labor government can also fairly claim to have taken a formidable initiative on Australia's chronic unemployment problem, with a recently announced A\$6.5bn (\$4.65bn) jobs programme.

Last week, Mr Downer quickly took a tough line on immigration while unemployment remains high. This appears to be of growing concern to voters, although the proposed modest increase in this year's migrant intake will largely be filled by Chinese in Australia at the time of the Tiananmen Square massacre.

The new opposition leader also trod a shrewd line on the republic debate, suggesting that constitutional change was more likely under a Liberal government, while also saying he felt that such a change was too complex.

One week on, then, pragmatism and opportunism seem to be the order of the day for the new opposition leader. But whether they eventually add up to a coherent package which the electorate will buy, remains to be proved.

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Slower US growth eases economy fears

By George Graham
in Washington

New signals of slowing economic activity yesterday took the edge off remaining fears that the US economy might be growing at an unsustainable pace.

The Commerce Department reported that disposable personal incomes fell by 0.2 per cent in April, while spending on personal consumption fell by 0.1 per cent.

Higher wages and salaries raised total personal income by 0.4 per cent, a more modest gain than in recent months, but increased tax payments

as last year's budget took effect on higher income taxpayers depressed disposable income.

At the same time, the Commerce Department said sales of new homes fell by 7 per cent in April to a seasonally adjusted annual rate of 689,000 homes, while consumer confidence dipped sharply, according to the Conference Board's May index.

"What we are seeing is that the economy was growing faster than could be internally sustained, particularly in the consumer sector, and now it is slowing to a pace which is more sustainable," said Mr Bruce Steinberg, manager of macro-economic

analysis at Merrill Lynch, the US stockbroker.

Yesterday's data followed an unexpected upwards revision on Friday in the Commerce Department's estimate of growth in the first quarter, to an annualised rate of 3 per cent.

Although the US economy is expected to show stronger growth in the second quarter than in the first, as the country shakes off the frosts of January and February, it is also starting to feel the effects of a series of interest rate increases by the Federal Reserve Board.

April's drop in home sales showed the impact of rising interest rates on

the construction sector, even before the Fed's most recent half percentage point rise two weeks ago.

The Conference Board's consumer confidence index, which dropped to 87.6 in May from 92.1 in April, also appears to reflect a reaction to higher interest rates.

Mr Alan Greenspan, the Fed chairman, came under fire last week from senior Democratic senators who complained that he was stamping out the recovery by raising interest rates long before there were any real signs of inflation.

But most private sector economists still see a strong pace of growth, and

will be looking more closely at today's purchasing managers' index and Friday's report on employment in May than at yesterday's signals of slowdown.

"We are slowing from a 5 per cent pace of growth at the end of last year, and I think there is still some ambiguity over whether we are slowing to a little under 3 per cent or a little under 4 per cent. Our view is that the slowdown is only gradual," said Mr Robert Mellman of J.P. Morgan, the New York bank, which is forecasting a 6 per cent growth rate in the second quarter, slowing to a rate of 3.5 per cent by the end of the year.

Brazil fails in bid to update constitution

By Angus Foster in São Paulo

Brazil's attempt to update its constitution ended largely in failure yesterday, highlighting the weaknesses in the country's political system.

The constitutional revision process, under way in Congress since October, has failed to make any of the important changes most analysts believe are crucial for the government to regain control of the economy.

Reforms to the tax, social security and government spending regimes failed to win congressional support. As a result, the country's next president - due to take office in January - will continue to face serious problems balancing the budget and tackling inflation.

Congress also failed to pass reforms opening the economy to foreign investment and easing constraints on foreign companies in the mining sector.

The revision failed partly because of political corruption hearings last year, which sometimes bought congressional business to a standstill. More importantly, congressmen were not prepared to vote on controversial issues in an election year.

Brazil also lacks an efficient party political system to force congressmen to attend sessions. This led to delays in

the revision process. Mr Nelson Jobim, in charge of the revision process, said he was leaving Congress after the elections, mainly because of disappointment at the revision's failure.

Congress did make some changes to the constitution, which was adopted in 1988 in a backlash against two decades of military dictatorship, but has since been criticised as highly idealistic. The most important change was approval of a two-year emergency social fund, designed to bring short-term relief to the government's finances. But without longer term reforms to the tax and social security systems, the fund is very limited in scope.

A second change, reducing future presidential terms from five to four years, again showed the depth of Brazil's political problems. Congress approved the measure to make presidential terms the same as Congress. But a proposal to allow presidents to seek re-election was rejected, mainly because Congress and state governors fear any one party controlling government for eight years.

As a result, future presidents will have only four years to carry out their programmes, scarcely enough in Brazil's ponderous politics.

Zapatistas to vote on 'final' peace accord

By Damien Fraser
in Mexico City

The leaders of Mexico's rebel Zapatista Army of National Liberation say that they have finished consultations on the government's proposed peace agreement and that their supporters will now begin voting on the accord.

The rebels began internal consultations after the government proposed a 32-point peace plan at the beginning of March, but these were suspended after the assassination of Mr Luis Donaldo Colosio, the ruling party's presidential candidate, on March 23. They resumed at the end of April.

The government promised in its peace offer to redistribute land in the southern state of Chiapas, where the rebels launched their rebellion on New Year's Day, and implement potentially far-reaching judicial and social reforms in the state. It also said it would give increased protection and rights for the Indian population.

Although the agreement did not directly meet the rebel demand for national democratic reforms, such concerns were simultaneously negotiated with opposition parties.

While the Zapatistas are not expected to break a ceasefire in

place since early January, most observers doubt they will accept the peace offer without conditions.

Rebel leaders have been suspicious of the government's willingness to implement the accord, and have previously indicated they will not approve an agreement at least until this August's presidential election, as a way of maintaining pressure on the government to hold fair elections.

The vote on the agreement by rebel supporters will take place in the region of southern Chiapas under Zapatista control.

It is expected that the voting process will take some time, and no date has been fixed for a final result.

The Zapatistas claimed that the vote would be "free and democratic" but have now closed the territory under their control to the press and outside observers.

Democratic Congressman Robert Turricell says he sees no quick end to the uprising in Chiapas and warned it could spread. Reuters reports from Mexico City.

The New Jersey representative said on Monday the problems of poverty and corruption that produced the uprising in Chiapas existed elsewhere in Mexico and this could lead to more violence.

States tell cigarette makers to cough up on health costs

The US tobacco industry is under fresh attack. In the last few days, two states - Mississippi and Florida - have announced plans to take US cigarette manufacturers to court in an attempt to recoup costs incurred in treating smoking-related diseases under medical assistance programmes such as Medicaid.

The sums the states are seeking are vast: Florida says smoking-related illnesses have cost the state at least \$1.2bn in medical costs since 1989. If its legal action succeeds, and other states do the same, the cigarette manufacturers could be forced out of business.

In its intensifying war against the tobacco industry, the US anti-smoking lobby has backed many attempts to sue cigarette manufacturers for the health costs associated with smoking. All efforts have failed: the industry has yet to pay a cent in damages.

But these latest cases are different. Earlier suits were brought against manufacturers on behalf of individuals or groups of individuals seeking compensation for their suffering. Mississippi and Florida are not representing individuals: they are asking the industry as a whole to reimburse them for the direct economic costs of treating smoking-related diseases.

The distinction is important because it could deny cigarette



Chiles after 'Marlboro Man'

Richard Tomkins reports on fresh legal attacks by Florida and Mississippi that, if successful and replicated, could force the cigarette manufacturers out of business

their market share.

"This lawsuit is premised on a simple notion. You caused the health crisis: now you pay for it," Mr Mike Moore, Mississippi attorney general, said.

Florida has gone further by signing into law an act that will specifically deny cigarette manufacturers the right to deploy their traditional defences, arguing that they are irrelevant to the issue of how much the state pays out to treat smoking-related diseases.

Mississippi believes it will overcome these defences by filing a claim against all 13 US cigarette manufacturers seeking reimbursement of the health costs it incurs in treating smokers. If it wins, the damages will be split between the companies according to

The moves by the two states come against a background of growing hostility to smoking in the US from anti-smoking groups, government officials and legislators at local and national level. Ms Jennifer Lew, managing attorney at the Tobacco Products Liability Project, a Boston-based anti-smoking group, says: "I think the tide has turned so that this sort of legislation has become politically palatable."

Even so, some are concerned about the implications. Associated Industries of Florida, a business organisation for the state, says the principles enshrined in Florida's new legislation could easily be extended to the manufacture of dairy products, sugar, pharmaceuticals or cars. It says it will fight for a repeal.

The cigarette manufacturers will also fight the legislative moves. They will almost certainly challenge the constitutionality of Florida's new law, and in the event that any suit succeeds, they will almost certainly appeal. Ms Lew acknowledged that it could be years before the first case is settled.

Financially, that may be no bad thing. Like other states, Florida does well out of cigarette sales. Officials concede that the \$1.2bn it has paid out in medical costs in the last five years is not as much as the \$2bn it has collected in taxes on cigarettes.

US resumes Japan insurance talks

Michio Nakamoto in Tokyo

The US and Japan will have their first opportunity to put their newfound co-operative spirit to the test when they resume talks in Washington today on access to Japan's insurance market.

The insurance sector will be the first specific issue the two countries will tackle since they agreed earlier this month to

try to negotiate a framework for opening Japanese markets to foreign goods and services and to reduce Japan's current account surplus.

The US has argued that Japan has structural barriers and regulations which hinder foreign penetration of the insurance market.

Japan maintains that its insurance market is already quite open.

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NEWS: WORLD TRADE

Brittan says No to job as WTO chief

By Frances Williams in Geneva and Ian Rodger in St Gallen

Sir Leon Brittan, EU trade commissioner, moved swiftly yesterday to damp speculation he could be in the running to head the new World Trade Organisation in Geneva, due to come into force at the beginning of next year.

Mr Peter Gullford, his spokesman, said Sir Leon "has no interest in the job and can foresee no circumstances whatsoever under which he would be interested".

There was speculation at the EU's Brussels headquarters that the linking of Sir Leon's name with the WTO vacancy

was "French mischief", part of a campaign by Paris to ditch Sir Leon's candidacy for the European Commission presidency. France is backing Mr Jean-Luc Dehaene, the Belgian prime minister, to succeed Mr Jacques Delors.

Sir Leon's name is not among those circulating in Geneva as serious contenders for the WTO post, who include Mr Renato Ruggiero, former Italian trade minister and now deputy chairman of Fiat, Mr Rubens Ricupero, Brazilian finance minister, and Mr Philip Burdon, trade minister of New Zealand.

Trade officials take a cool view of suggestions that the

WTO might be some sort of consolation prize for failed candidates elsewhere. Lord Lawson, who is bidding for the OECD top job, has also been mentioned as a possible WTO chief.

Mr Peter Sutherland, whose decision to step aside as director-general of the Gatt has created the WTO vacancy, is being mooted as a possible compromise choice as European Commission president. Mr Sutherland, who is Irish, has denied seeking the job.

The workability of the new WTO will be established quickly through the use of its trade disputes procedure, according to Mr Sutherland.



Brittan: he is quoted by his spokesman as having "no interest in the job"

US starts talks on workers' rights

By Frances Williams in Geneva

US trade officials said yesterday they had begun consulting with trading partners on the vexed question of workers' rights and trade, and hoped to raise the issue formally within the General Agreement on Tariffs and Trade before the summer break.

Developing countries have vigorously rejected tying worker rights to trade privileges, which they regard as a cover for protectionism.

The US, backed by the European Union and other industrialised nations, says its object is not to remove the comparative advantage of low labour-cost countries, but to curb human rights abuses such as bans on union membership, forced labour and child exploitation.

Though not on the formal agenda, the idea of a "social clause" in Gatt is expected to feature strongly in discussions at the annual conference of the International Labour Organisation, which begins next week in Geneva.

Mr Michel Hansenne, director-general of the UN agency, has said he personally favours a "social clause" related to the ILO's core conventions: the right to form trade unions and bargain collectively, and the ban on forced labour. These, he argues, are basic human rights and can be applied by countries at any level of development.

He proposes making a ban on child labour effective within five to 10 years.

A report by an ILO committee published yesterday urges the ILO to tighten enforcement of international labour standards, singling out breaches of the forced labour convention including forced child labour and child prostitution.

The report calls for closer scrutiny of compliance with the core human rights conventions, possible compensation for those adversely affected by violations of ILO standards and voluntary mediation and arbitration.

India sees software export rise

By Stefan Wagstyl in New Delhi

India's software exports soared 51 per cent in the year to March to Rs10.2bn (£215.5m), as the industry successfully maintained the fast pace of growth of recent years.

Total turnover also expanded rapidly by 47 per cent to Rs17.1bn, according to figures released yesterday by the National Association of Software and Service Companies.

Indian producers believe they are now reaping the benefits of establishing themselves in international markets. Export sales are dominated by a handful of larger companies, notably Tata Consultancy Services, a member of the Tata industrial grouping, which had overseas sales of Rs2bn. Altogether 100 companies exported software worth Rs10m or more, compared with only five years ago.

Indian companies often used to send engineers to the US and other countries to work on projects on-site. Recently, however, Indian companies have been carrying out more work at home, transmitting it by data communications lines.

Damian Fraser on foreign companies' prospects in a growing sector Mexico opens up for water business

British and French companies are competing fiercely to gain a hold in Mexico's water sector, drawn by an industry that is being partly opened to private investment and is in desperate need of modernisation.

Over the past year Thames, Severn Trent, North West Water, Bewater, Anglian Water of the UK, and Lyonnaise des Eaux and Générale des Eaux of France, with local partners have won contracts worth more than \$1bn to build water treatment plants or to modernise municipal water systems in Mexico. Other British and French companies have bid unsuccessfully for contracts.

Further investment is likely to run into billions of dollars. Just a fifth of Mexico's sewage is treated, a proportion that will have to grow when new laws regarding water quality are enforced. A quarter of the population does not have access to running water, and still more receive irregular service.

However, foreign companies in Mexico warn that the market is highly competitive and grumble that margins are so low that they often do not justify the still considerable risks. "Mexico is a big market," says

Bob Tipping of Bewater in Mexico, "but there are a lot of players. We have more profitable business in Venezuela where there is less rivalry." Apart from the foreign companies, there are half a dozen Mexican construction companies keen to win water contracts.

Operators further complain that doing business with

Mexico, says water contracts at the local level are decided more on political than economic grounds.

Waste water treatment plants are generally seen as the best opportunity in the short term. Some private operators reckon that there needs to be about \$50m of investment in treatment plants if municipal governments are to meet

found it difficult to raise debt collateralised by future revenues because of concern about the creditworthiness of the municipalities. The worry is that the municipal government will not be able to pay the operator the agreed price for treating water and renege on the contract.

Banobras, a state development bank, has now agreed to guarantee the contracts

of clients. So far two municipalities - Aguascalientes, an industrial city in the centre of Mexico, and Cancun, the resort - have given private companies management and ownership of their water systems for a fixed period.

Mexico City plans eventually to give private companies full operational control over its water system. Last year the city government split the capital into four regions, and awarded contracts to four consortiums of water companies.

In the first phase, the companies will install 700,000 meters on a contract basis; in the second they will operate the system in the name of the government; and in the third they will take full control, buying water in bulk and selling it directly, at regulated prices, to customers.

The Mexico City contracts took much longer than expected to be negotiated, in part delayed by those who objected to uprooting the water system before the presidential election in August. The resistance was seen by some foreign operators as a sign of the continuing reluctance in parts of the government to give up control of a commodity as politically sensitive as water.

between the municipal governments and the operator, thereby giving the collateralised debt a higher credit rating.

Banobras has agreed to offer the Monterrey-based conglomerate Cydsa a guarantee for its treatment plant in Chihuahua. Bewater hopes to receive a guarantee for its Puerto Vallarta plant.

Over the longer term, water companies hope municipalities will put aside their objections and award the private sector BOT concessions for the full local water system, from the distribution of water to billing

Investment is set to run into billions - a quarter of the population does not have access to running water and still more receive irregular service

Mexico's municipal governments can be time consuming and frustrating. Despite regulations that permit private investment, many say there is considerable resistance to their presence at the lower levels of the government, and this has led to costly delays in construction and financing of plants.

"The municipalities are a disaster," says one government water official. "They are too small, badly managed, and have no tradition of managing water efficiently." The World Bank, in a recent report on

new federal regulations that subject them to fines if they do not clean their waste water.

Under the most common scheme, the private operator pays for the treatment plants, and in return is given management and ownership with a guaranteed amount of business for a set number of years, under the so-called Build-Operate-Transfer blueprint. Such BOTs have been negotiated in Puerto Vallarta, Ciudad Juarez, Chihuahua, Hermosillo, Obregon, Puebla, Leon, La Paz and Tampico. Private operators have so far

US takes harder line on Japan

Britain and the US have very different approaches toward gaining access to Japanese markets. British Trade Minister Richard Needham said yesterday. Mr Needham was speaking at the launch of an "Action Japan" campaign.

A Japanese Ministry of International Trade and Industry (MITI) panel said in a report released yesterday the US is "without parallel" in imposing measures that force its trading partners to abide by unilateral judgments. It said the US shows no signs of abandoning this practice.

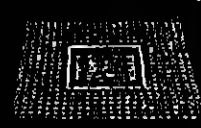
Asked why the US has received lucrative orders from Japanese businesses, Mr Needham said: "I don't think you can in practical terms play the part of the bully, unless you're bigger than the other guy. If the other guy's bigger than you, and you try and be the bully, you're likely to end up on your back."

The Action Japan campaign, which follows on from the Opportunity Japan (1988-91) and Priority Japan (1991-1994) campaigns, aims to increase British visible exports to \$3.5bn by 1996, up from \$2.6bn in 1993.

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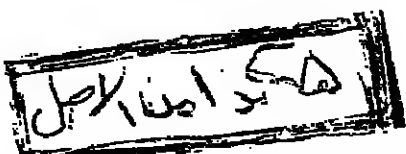


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Regulator resists review of gas assets



NEWS: UK

Vineyard to wind down production

By Alison Maitland

Wine production at Lamberhurst near Tunbridge Wells in Kent, one of England's biggest vineyards, is being wound down after the business failed to attract a buyer as a going concern.

The guide price for the vineyard, including a 17th century farmhouse, a restaurant and farm shop, has been halved to £750,000 and the property is being re-offered for sale on a freehold basis.

Mr Kenneth McAlpine, 73, the vineyard's founder and owner, put the business on the

market for £1.5m last September because he wanted to retire.

Mr James Crawford of Knight Frank & Rutley, the estate agents selling the property, said there was a "lack of confidence in the wine trade in the face of competition from other countries, cheap imports and duty on wine going up every year".

Mr McAlpine, a director of the Sir Robert McAlpine construction company, said several potential buyers from the UK and abroad had thought it would be "fun" to own a vineyard as a hobby. "But when

they discovered it was a business with a turnover of £750,000 a year, they didn't want the hassle of running it."

Production, which used to account for a tenth of UK wine output, has been reduced dramatically, he said. "We're not cultivating much of our vineyard at all." The restaurant and vineyard tours will close in September.

But Mr McAlpine, who has been in the wine business for 21 years, is determined to keep the Lamberhurst name alive if the reduced price fails to find a buyer keen to revive the vineyard.

He plans to retain three or four acres of the 42-acre vineyard to produce red wine from a new German grape. He will also continue to buy grapes from other vineyards in south-east England to make traditional Lamberhurst white wines on a smaller scale.

Mr McAlpine will cut production from last year's 350,000 bottles - already well below peak years of 500,000 - to 100,000 bottles, concentrating on high quality, high-priced wine. He intends to retain a long-term lease on the winery. If the rest of the vineyard falls into disuse, Mr McAlpine

will paradoxically have contributed to what he regards as the solution to the industry's problems. A glut of wine has pushed prices down and made production uneconomic, so England's 2,500 acres of vineyards must be cut back, he says.

"In three or four years, England, and the rest of the world, will have reduced production and prices should start going up again," he said. Mr McAlpine still chairs McAlpine Helicopters, with an annual turnover of £15m, and has a forestry equipment business in Lamberhurst village.

Sour grapes for English wine industry

Stewart Dalby finds that smaller vineyards are being squeezed by cross-channel trade and duties

The English wine industry has suffered from the boom in cross-channel imports of beer, wine and spirits, compounded by a higher rate of duty than their continental competitors.

There are now just over 450 vineyards in Britain, with something like 60 wineries, covering 2,000 acres and producing, in a good year, 2.5m litres of wine - about 0.5 per cent of British wine consumption.

The industry has always had its problems, not least fighting the perception that the climate is not quite right for quality wine growing. It receives no government assistance, unlike industries in other European countries, and the UK is the only European Union country which charges tax on wine bought at the vineyard.

The fragmented nature of the industry and the lack of mass production means overheads are high, marketing is difficult and costs per bottle are more than most imported wines.

Since January 1993 taxes on imports from European producers were abolished, so English wine attracts a levy of £12.30 a case, or another £1 a bottle.

Mr David Carr Taylor runs a 77-acre vine near Hastings, in East Sussex.

He buys in a lot of grapes and produces around 100,000 bottles a year. He says farm gate sales are down over 40 per cent in the past year and sales to hotels and restaurants, which make up around 40 per cent of his custom, are down 50 per cent.

"Since January 1993, a hotelier or restaurateur can drive a transit van across to Calais, buy a truck load of wine at less than £2 a bottle and still see a profit even after the ferry fare. Under the law anyone can bring in enough for his or her own personal consumption, so if you are running a restaurant you can away with it," he says.

The situation is a little easier for quality wine makers. Mr Christopher Ann runs the English Wine Centre in East Sussex - a small vineyard and wine shop.

He says: "A lot of our business is special events and we have some secure outlets. The quality end has held better than for table wines. Even so I would guess business is down by 20 per cent. This is not solely due to the cross channel traffic. There are other factors, but certainly the imports and the duty we have to pay have not helped."

Ms Gay Biddlecombe who runs the St George vineyard, also in East Sussex, says: "We



Mrs Gay Biddlecombe - pictured harvesting grapes at St George's Vineyard in Waldron, East Sussex - expects smaller vineyards to be at risk from the growing cross-channel wine trade

have not been particularly affected by the cross-channel trade so far, but this is because I specialise in niche marketing of quality wine. I would expect that smaller vineyards will go out of business."

Commander Geoffrey Bond, the chief executive of the

200-member English Vineyards Association, says: "We were already being hit by all kinds of regulation which don't affect other producers in the EU. This duty is one more heavy burden."

The Association is preparing to lobby the government in an

attempt to get the duty lifted. He says: "I am contacting all our members to find how business has been hit. I will have a better picture to present to the minister in June. But I can well imagine that some vineyards are 50 per cent down in business."

Britain in brief



Banks' share of home loans fell in April

Mortgage lending by UK banks fell in April below the level for the same month last year, according to the British Bankers Association. The number of new mortgages approved in April also dropped year-on-year and compared with March.

These figures suggest that banks are losing the sharply increased share of the mortgage market they acquired last year at the expense of building societies (home loans and savings institutions).

Gross loans made by the banks totalled £1.43bn in April - a drop of 11 per cent from the £1.61bn lent in March. In April 1993, the banks' gross mortgage loans amounted to £1.79bn. The fall in the number of loans approved, which is regarded as an important indicator for future mortgage lending, is even more striking.

Some 28,989 new loans were approved in April, while in the previous month 31,518 were approved. Last month's figure is 24 per cent lower than the 35,348 loan approvals in April last year.

The British Banking Association said it was "too soon" to attribute the fall in mortgage lending to the tax increases and the reduction in mortgage tax relief which took effect at the beginning of April. It suggested that last month's figures might have been depressed by a rush of borrowers in March taking advantage of the lower fixed-rate mortgages then on offer.

London still wealthiest area

Greater London remains the wealthiest region of the UK, but Scotland, Wales and Northern Ireland are catching up, Central Statistical Office

figures showed. In 1992, personal income per head in Greater London was £11,577, 123 per cent of the UK average, while that in Wales and Northern Ireland was just £7,980, or 84.1 per cent of the average. However, over the 1990 to 1992 period, incomes in Scotland, Wales and Northern Ireland grew most strongly, while growth in the south-east and Greater London was below average.

Illegal grant charge rejected

Mr John Redwood, Welsh secretary, has rejected allegations that £7m of government grants had been illegally channelled to marginal constituencies in mid-Wales.

In a BBC Wales television programme screened last night, it was claimed that the money was disbursed via the Welsh Development Agency after the region lost its assisted area status in 1982. It was alleged that, under the 1975 act which set up the WDA, the agency had no legal powers to do this.

Mr Jon Owen Jones, a Welsh Labour MP, called on Mr Redwood to resign. "It's a clear case of the political masters deciding that the money should follow their own perceived political advantage," he said.

Mr Redwood accused the BBC of "not doing its homework". He said: "The legal advice I have is that the powers are available under the WDA act."

Parliament had been told in 1982 about the aid and it had not been challenged. But he said he would call for a report from officials. *Dragon of controversy, Page 14*

Midlands to Milan by train

The Channel tunnel takes a further step towards paying its way today with the start of long-distance freight services carrying new cars from the West Midlands to Milan. Rover Group will make its first shipment of about 250 cars to its Italian distribution centre as part of a regular service involving five trainloads a week. The journey will take two days compared with eight days previously.

Seb Coe post

Mr Sebastian Coe, Olympic gold medalist, has been appointed parliamentary private secretary to Mr Roger Freeman, minister for public transport. Mr Coe, 37, has been MP for Falmouth and Camborne in Cornwall, western England, since 1992.

£93m Cardiff contract

A joint venture between construction groups Balfour Beatty and Costain has been awarded a £93m contract to build the Cardiff Bay Barrage in Wales.

The barrage will replace tidal mudflats with a 500-acre freshwater lake as part of the regeneration of Cardiff's docklands. Work on the 220-week project started at the end of last week according to the joint venture which is owned 65 per cent by Balfour Beatty and 35 per cent by Costain.

The 1,100m rock and sandfill barrage will incorporate three locks, five sluices and an 8m-wide fish ladder. The mechanical and electrical works alone are valued at more than £10m.

Shame on speedsters

Shame is the latest weapon to be used by the department of transport in its drive to curb speeding motorists on motorways.

Drivers on the M1 in the Midlands will find themselves confronted by a giant screen which flashed up the word "speeding", together with their registration number and speed. The information will then go straight to the police computer which in turn will issue a ticket.

The device is designed by Travers Morgan, transport consultants and made by the NEI subsidiary of Rolls-Royce.

Surprisingly, it may affect weekend motorists straining for freedom rather than salespeople or chief executives. Research has shown that there is more speeding by cars at the weekend than during the week.

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A deal that aims to deliver

Christopher Lorenz looks at the attraction of logistics alliances

A s more multinational companies cut their number of factories in Europe, and concentrate production in fewer countries, many of them are also subcontracting their transport and warehousing services to a single outside provider of "logistics" services. But most of this "outsourcing" is focused too much on cost reduction, and too little on improvements in service deliveries to customers.

This is one of the main conclusions to emerge from a study of "logistics alliances" between 50 customer companies and 50 logistics specialists across five north European countries. The study was carried out by McKinsey, the management consultancy, with the Centre for European Logistics.

The study reports that logistics alliances are being set up rapidly, in both industrial products and consumer goods. But so far most of them involve only the stocking, handling and transport of finished goods. Less than half those surveyed also covered the inflow of goods, parts and materials.

Specialisation of production across borders is one of two motives for the creation of logistics alliances, according to the study, the findings of which are reported in the latest issue of the McKinsey Quarterly by two consultants, Peter van Laarhoven and Graham Sharman.

The other factor is the decision by some companies to focus on "core competences" such as product development, manufacturing, marketing and selling, and to outsource logistics to a specialist provider.

Among the pioneers of such deals, the study cites Bank Xerox, the copier maker, and the Dutch transport company Frans Maas, whose relationship has evolved over a decade, with periodic increases in the scope and value added by the arrangement.

Almost half the deals involving international flows are being taken by forwarders such as Sweden's ASG and Germany's Kuehne & Nagel, according to Laarhoven and Sharman. But the overall market leaders - if purely national deals are also included - are warehousing

specialists such as Nedlloyd's Districentres and NPG's Exel. Non-European "integrators" of both warehousing and transport are now becoming "more active", says the study.

For the majority of deals, the study's use of the term "alliance" may be premature: Laarhoven and Sharman themselves say that most are still at an early stage of development - which they christen "contract logistics". Companies are tending to choose their service providers on the basis of hard, competitive cost bidding. Only one in seven of the customer companies in the study chose to negotiate with an existing service provider on a "sole source" basis. But the study argues that many relationships will grow deeper with time.

The excessive focus of most deals on cost reduction, and the inadequate priority they give to service improvement, probably result from the fact that the main stimulus behind most of them is corporate restructuring, say the consultants.

Too much emphasis on cost reduction in negotiating an alliance actually inhibits a successful outcome, argue Laarhoven and Sharman. Instead, they advise companies to emphasise delivery service as the first priority. Opportunities for cost reduction will arise through improved methods and co-operation once the alliance has settled down.

The consultants also advise customer companies, most of which are several times larger than their service providers, to avoid the temptation to respond to recession by reverting to traditional "arm's length" purchasing methods. Logistics alliances will only flourish if companies are willing to nurture their relationships, share information and explore ways of extending the scope of the arrangement. A few companies have gone as far as subcontracting management control of all or part of their inward and outward "supply chain".

**Logistics Alliances: the European Experience. McKinsey Quarterly, 1994, No 1.*

The chairman is drunk in charge of the business. The company's owner is insisting on terms of employment that will surely end up before an industrial tribunal. The board is deadlocked on whether the company should cease trading.

Real cases, real dilemmas: the next step for the three company directors faced with them was to contact Britain's Institute of Directors, which has logged the 10 most common worries.

At 24 hours' notice, any one of the IoD's 47,000 members - many of whom run companies too small to have a full range of in-house specialists - can speak to an expert for free and in confidence. Every year, around 1,000 of them do.

Employing six part-time advisers, each senior in their own field, the IoD's advisory service covers finance, law, human resources, property, marketing and the birth and death of businesses. As such it offers an insight into the issues that cause headaches.

Dismissal, it would seem, is the threat that causes most anxiety. The single most common call to the service is prompted by IoD members' own lack of job security.

For one managing director, who was instructed by the owner of his company to take more than 20 sales representatives off their salaries and pay them on a commission-only basis, the threat of a rash of industrial tribunal cases for constructive dismissal was only avoided by refusing to co-operate, and losing his own job. In the end, he got almost 12 months' salary,

Jenny Luesby reports on the biggest worries for senior UK executives

Director's nightmare

kept his company car and received help with a CV and job contacts.

Another managing director, this time of a UK subsidiary of a company jointly owned by Russia and Ukraine, called the service when the majority holder had decided his nationality was a problem. The Russians wanted a Russian in the post. A third, running the subsidiary of a British company based in Zambia, was similarly sacked from afar. Alone and unaided he needed rapid advice on his legal position and rights.

All three cases demonstrate the degree to which many directors are unprotected. A surprisingly large number take up jobs without a service agreement.

One such caller owned 5 per cent of the equity of a company. He was its managing director and the own-

ers were related to his wife. Surely, a position of security. If the company were acquired, he could be in trouble, the IoD told him.

Nor is it just directors' job security that arises. The dismissal of other company employees is a recurring topic.

One managing director, who inherited a 52-year-old secretary on an 18-hour week, had given her two verbal warnings for poor work, before offering early retirement with severance pay equivalent to the statutory redundancy figure. The secretary was now holding out for straight redundancy, but the managing director did not want to make the position redundant. The IoD was emphatic on the error of mixing disciplinary procedures with redundancy.

Other cases have been more shocking. The chairman of a small



publishing company wanted to dismiss a 59-year-old senior editor, who had not been doing his job properly since developing a brain tumour. The editor's doctor had advised that it would be best for the man to continue working. The IoD warned of an industrial tribunal case, and advised a generous severance payment.

The service did have one scrape with a dissatisfied customer when a director faced insider-dealing charges claimed the service had told him his transactions were legal. IoD records showed he had not spoken to the service until after the transactions, and that the IoD had anyway not said they were legal, and the claim was dropped.

Solo sailor seeks broader horizons

Nigel Rowe reports from the high seas on the pursuit of a Big Hairy Ambitious Goal

A couple of days before I left England, home, my job - and the salary that went with it - to fulfil a dream that had become something of an obsession, I attended a conference in London on global excellence.

The conference, organised by the Confederation of British Industry, the employers' organisation, had been inspired and sponsored by BOC, the industrial gases and healthcare group. It was my last day for the company, John Stopford, of the London Business School, was one of the principal speakers and, like all business school professors, he could not resist the opportunity to coin a new phrase. What British industry needed, he said, were Big Hairy Ambitious Goals.

I sat at the back of the hall and smiled. Yes, I thought, I knew what it was like to have a BHAG, even if the professor and the 250 company directors present might not too readily relate to it. For I was about to compete in the BOC Challenge 1994-95 single-handed, round-the-world race.

As I left the conference I took off my tie and dropped it into a waste bin in Tottenham Court Road. Perhaps it was a childish act of worthless symbolism, but I remember doing the same when I left school.

I flew to the US two days later to ready my 48ft sailing boat Sky Catcher for the last phase of our preparations together - two transatlantic crossings, including a single-handed race in July, also sponsored by BOC.

We left Charleston, South Carolina, just before midnight on Thursday 12 May - it being a tradition born out of superstition that one should not begin a passage on a Friday, least of all on one that carried with it the additional stigma of being the 13th. Now, a little over a week and two gales later, we are about a third of the way across to Falmouth, and I have had time to reflect on what brought me here.

My guess is a combination of balance, opportunity and curiosity (it may be some time before I can shake off the initials BOC).

Very few of us achieve a healthy balance of interests and contrast in our lives. A successful business makes many demands on its managers. Life's priorities are driven overwhelmingly by those at the office. Further, the more senior one's position, the more dependant corporate man becomes on the trappings and comforts of higher office. Less and less of this experience is enriching in any but a material way and it is often poor

preparation for the rest of life. I know too many people who were burned out when they retired to face a long list of things they wished they had done and now cannot. I want to avoid that.

Opportunities must be grasped when they appear. But another lesson from corporate life is that they can also be created, even if at some cost. I was fortunate to be able to negotiate this opportunity and was prepared to meet the cost in terms of loss of salary and future security.

But curiosity has been the principal motivation in this endeavour. I am curious about what it will teach me about myself as well as other people, places and things. I am also curious about what will be demanded of me to meet the challenge of this undertaking. I initiated BOC's sponsorship

of the BOC Challenge more than 12 years ago when I had been sailing for only a couple of years. Such feats as a solo circumnavigation were beyond my imagination then. The 1994-95 race, which starts from Charleston on September 17th, will be its fourth edition. Now, I have many thousands of miles of sailing experience; but I know nothing of the windless doldrums or of the Southern Ocean with its screaming winds, icebergs and the infamous Cape Horn. I am curious about how I shall deal with all of that. Knowledge gained from a long and happy life in the corporate world may not help me much.

The author is the former chief executive of corporate relations for the BOC Group. This report was filed from Sky Catcher in the North Atlantic.

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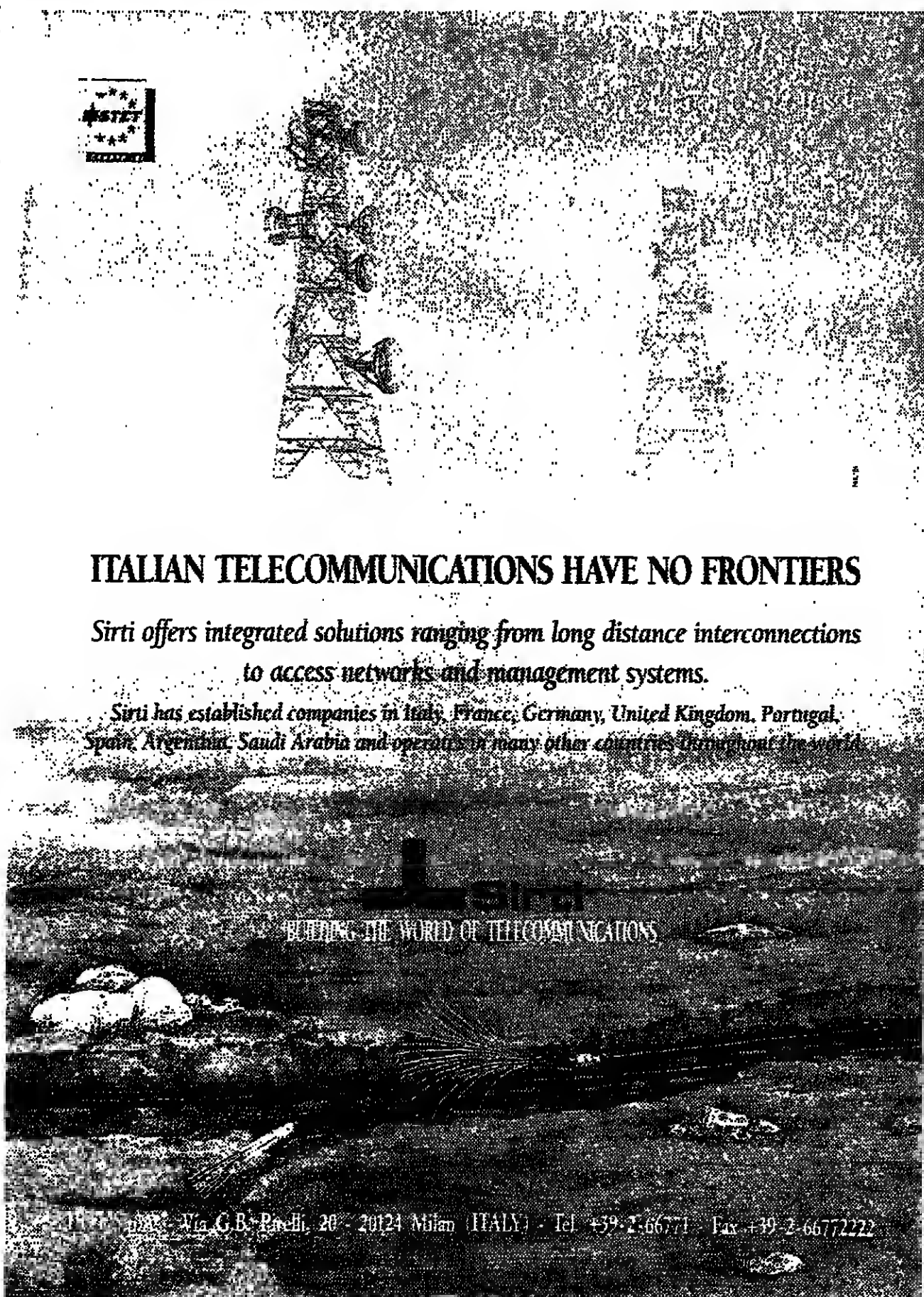
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BUSINESS AND THE ENVIRONMENT

Call for 'carbon bond'

The man who promoted Costa Rica's "debt-for-nature swaps" has come up with another instrument he thinks could provide part of the solution to the long-term preservation of its diminishing rainforests and combat global warming.

Alvaro Umana, former minister of natural resources, is touting a "carbon bond" through which companies in developed countries can offset greenhouse gas emissions by financing forest preservation.

He argues that Costa Rica provides a global service by guaranteeing the storage of carbon through preserving its forests, for which it should be financially compensated.

"At a very low price of \$10 (\$5.60) a tonne [of stored carbon] that means Costa Rica has about a \$1bn chip," he says. "But there is no market to cash it in, yet."

The 1992 Convention on Climate Change, agreed at the Rio summit, called on industrialised nations to stabilise emissions by the year 2000 at their 1990 level. Emission ceilings will be imposed on individual companies, but under the convention they are permitted to emit carbon in one place and sequester it in another.

Some utility companies in the US and Canada, with an environmentally friendly bent, have shown interest in the proposal, including Ontario Hydro, run by Maurice Stroug, who chaired the Rio summit.

But interest is also being generated because the bonds make good business sense, claims Umana. "They know it's coming, and they think they might be able to get cheaper carbon futures now," he says. "Companies would exchange cash - to preserve the forest - for permits allowing them higher emissions."

Umana admits the project's success will depend on whether Costa Rica can develop a mechanism of verification that will be acceptable to the industrial countries.

Edward Orlebar

Traditional town centres are under increasing pressure from out-of-town sites. Vanessa Houlder reports

Shopping for a revival



Sign of the times: Run-down town centre streets contrast sharply with the bustle and confidence of out-of-town shopping malls

vide shoppers with what they want and need," it said.

Town centres are being told to fight back. The government report says local authorities should work with local businesses and other key interests to upgrade town centres by making the town look well-cared for and by improving short-stay car parking, bus services and security.

But who should pay for such improvements? The report acknowledges that local businesses are resistant to foot the bill. "As businesses often believe they are already paying for local services through the business rate, there is a need to review the mechanisms for resourcing the improvement and maintenance of town centres," it says.

As matters stand, there is little reason to expect more money to be spent on town centres. A recent report by Hillier Parker into Qual-

ity in the Public Realm found that only 20 per cent of local authorities plan to spend more than £1m and 46 per cent planned to spend less than £500,000 on town centre improvements over the next three years. "All recent research shows that there is risk that the share of total retail spending taken by town centres will continue to decline," says Brian Raggett, the report's author.

Another concern is that a clamp-down on out-of-town development will lead to increased town centre congestion. This has long been an obstacle to town centre development. "What drives developers out of town is the unwillingness of local authorities to allow development in town," says William McKee of the British Property Federation, a landlords' association.

Peter Hall, who was until recently a planning adviser to Gummer, says: "What we have to ensure is

the importance of economic development may be lost in the clamour for environmental protection.

"We want to support sustainable development but we think there is a grave danger that the sustainable development argument will be used to turn down anything the environmental lobby does not like," says McKee.

The defenders of a more liberal planning policy argue that the swing to out-of-town shopping is underpinned by a strong demand from consumers. Many traditional high street shops are shifting to out-of-town centres, retail warehouses are now embracing products such as toys, electrical goods and computers, and discount warehouses, such as Costco at Thurrock in Essex, are making increasing inroads into the market.

The pressures for more out-of-town and edge-of-town development lead some commentators to argue that the government should crack down decisively to prevent further erosion of the countryside and the vitality of cities.

Duncan McLaren of Friends of the Earth, the environmental pressure group, believes that the time has come for the UK to choose between US-style development, where almost all shopping is on the ringroads surrounding a town, or the model of most Continental cities, which generally have central shopping facilities. "At the moment we are at a crossroads," he says.

Others argue that the UK should opt for a combination of out-of-town development and town centre development in an effort to reduce congestion and preserve the character of town centres. "Out-of-town sites and thriving town centres are not mutually exclusive," says Stuart Robinson of chartered surveyors Hillier Parker.

The question of how well an out-of-town development can co-exist with a healthy town centre depends on the town's circumstances. In big towns, the demand may be large enough to accommodate both out-of-town superstores and a healthy retail sector within the town centre; in small towns, the arrival of a superstore may squeeze out smaller retailers in the town centres.

Many planning experts believe that the government's policies may turn out to be less radical than they first appear. For all Gummer's rhetoric, the wording of his department's new guidelines is relatively mild.

"The shift in policy is not one of moving from free development to restricted development," says Ross Davies of the Oxford Institute of Retail Management. "It is a swing back to a balanced view."

* Vital and Viable Town Centres, HMSO

Animal art at auction

Paul Augustinus was in trouble. The nearest tree was an unstable sapling. His glasses had fallen as he ran, impairing his sight. The horses were gaining ground.

Luckily, nature was kind. Augustinus reached the tree, it held his weight, the horses were distracted. And Augustinus, a wildlife painter, had yet more material for his work.

Wildlife art can be dangerous work; the art market is waiting to see if it is lucrative work. This Friday, in the UK's first specialist wildlife art auction, more than 600 pieces from around the world go on auction at Christie's in London.

The event will span three centuries of art work, capturing bird, mammal and marine life in watercolours, oils, prints and sculptures. It follows Christie's successful bird art auctions, first launched five years ago.

Christie's is keen to see whether the art market follows the growing environmentalism of the 1990s. "Where corporations want to become involved in the environment, it may well be through having a collection of wildlife art," says Gregory Page-Turner, Christie's watercolour and drawings specialist.

Conservation groups also have a vested interest. Several are entering pieces donated to them for the auction. The groups hope to raise more money by auction than they could through usual charitable events.

Five conservation groups will also receive a proportion of the sale price of specific art lots. They are: the Rhino Rescue Trust, Nature in Art, the Dian Fossey Gorilla Fund, Tusk Force Environmental Protection and BirdLife International.

For Augustinus, with three pictures up for sale, the auction is an opportunity to test the real market price for wildlife art - priced from several hundred pounds to £60,000. "Until now, galleries and artists have determined the price - this will set the market value for future 'green art'," he says.

Hilary de Boer

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Schroder's Mackenzie moves to run GE Capital in Europe



GE Capital, the financial services arm of General Electric Company of the US, has recruited a London merchant banker to spearhead its European expansion. Christopher Mackenzie, 40, has resigned from J. Henry Schroder Wagg & Co, to be the first president of GE Capital Europe.

GE Capital provides around 40 per cent of its US parent's profits and Mackenzie has been given the task of putting its widely dispersed European operations on the map. GE Capital has 13 niche businesses in Europe, ranging from private label credit cards to car leasing, assets of \$5bn, and employs 4,600 staff in 14 countries.

Mackenzie, who has worked as a McKinsey management consultant as well as a mer-

chant banker, hopes to double the size of the European business in the next three years. The choice of a merchant banker as president suggests that GE Capital will be making more acquisitions in the finan-

cial services industry.

However, Mackenzie is keen to play down the role of acquisitions in his bid to develop a "truly European financial institution". In particular, he stresses that GE has no plans to buy a UK building society but is keen to explore ways GE Capital could supply financial services through "alliances with societies. We are well placed to be a friend," says Mackenzie.

In his previous position at Schroders, Mackenzie was responsible for the firm's pharmaceutical and chemical investment banking business for the bank's European clients. David Legg, one of GE Capital Europe's two joint managing directors, has retired and George Tappert continues as Mackenzie's deputy.

The death of Des Traynor, the chairman of CRH, has prompted a reshuffle at the top of the building materials group, one of Ireland's biggest and most successful companies.

Tooy Barry, currently chief executive, is to become chairman, while Don Godson becomes chief executive designate. He is currently chief executive of the group's US operations.

Barry intends to relinquish his executive role immediately

Godson takes up his appointment, no later than the end of this year. Godson, 55, joined CRH in 1968 as general manager development. He was appointed US chief executive in 1978 and joined the CRH board in 1980.

Stephen O'Shea, chairman of Apollo Fire Detectors, has also been appointed chief executive of HALMA's gas detection division.

Larry Jones has been appointed chairman and ceo

of Addison-Wesley, part of PEARSON, on the retirement of Warren Stone.

John Spearman, chief executive of CLASSIC FM, has joined the board of the Royal Philharmonic Orchestra.

Paul Vickers, secretary and group legal director of MIRROR GROUP, has been appointed to the board.

Steve Webster, a partner in Price Waterhouse, has been appointed to the board of WOLSELEY as deputy finance director.

Tibbitt & Britten adds two to make its board more international

Tibbitt & Britten, a large UK-based distribution group, has appointed its first two non-British directors to reflect the growing internationalisation of its activities.

Henrik Tuxen (right), a 37-year old Dane, has joined the group board with responsibility for corporate finance and strategy, while Florian Walowski (far right), 58 and a French national, has been made director with responsibility for European development issues.

Tuxen joined the company in February from Thomas Cook Group where he had been responsible for strategy, acquisitions and new ventures. He had previously worked for ICI and 3M, holds degrees from the



London School of Economics and an Insead MBA, and is fluent in English, French and Danish.

Walowski joined T&B in March as divisional managing director of Silcock Express, after two years as partner in a mergers and acquisitions firm in Paris and nearly 20 years in management positions with Transport Development Group. From 1973 to 1982 he was managing director of Ostra, a French-based subsidiary of

TDG with a dozen transport and logistics operations in Europe. He has a French university degree, an Insead MBA and speaks fluent English, French and Spanish.

T&B has operations in 10 countries and makes 28 per cent of its turnover outside the UK.

Dudley Pound, previously divisional md of Silcock Express, remains a director of that subsidiary but is also appointed development director, automotive industry logistic. Bob Vickers, chairman of Silcock Express, is to become a non-executive director on the parent board from July; Sidney Gould, former group vice-chairman and director of corporate finance & strategy, has retired.



Electronic switches

Richard Humphrey, formerly md at TCAM Systems (UK), has been appointed sales director of COMPUTER SCIENCES CORPORATION's UK division.

Richard Jones, formerly UK director of commercial business at IBM, has been appointed director of sales and marketing and Shaoh Quraesli promoted to finance director at DIGITAL EQUIPMENT.

Jeffrey Smith has rejoined Rezene Corp as director, European sales and market development at Consolidated Thermoplastics, part of REKNE.

Michael Scannell, formerly president of Daisystek, has been appointed md of ISA UK.

Ian Armstrong has been appointed marketing director of SUNGARD CAPITAL MARKETS.

Tim Cooke has been appointed md and ceo of OXFORD MOLECULAR, soon to seek a listing; he moves from Oasis.

Paul Davies, formerly director of finance for ICL's specialist markets division, has been appointed finance director of SOBUS (UK).

Brian Eason, formerly md of Continental Microwave Technology, has been appointed group chief executive of REAL TIME CONTROL.

John Hodges has been promoted to md of RYDER, UK subsidiary of Ryder Systems.

Keith Marsden, formerly md of Psion Dacom, has been appointed md Europe of MEGAHERTZ Corp.

John Woolford (below) has been appointed director of finance for WIGWAM INFORMATION; he moves from Jones Cable.

John Woolford (below) has been appointed director of finance for WIGWAM INFORMATION; he moves from Jones Cable.



Ian Davidson

No to D-day flags

The anniversary should not be a selective event inspired by nostalgia



Next Monday, certain western governments will be celebrating the anniversary of the D-day landings 50 years ago. The invasion of Normandy by American, British and other allied forces was, of course, an extraordinary military exploit: a great achievement of strategic organisation, a scene of heroism, and a turning point in the war against Hitler's Nazi regime. But with the perspective of all that has happened since, it is hard to understand why this particular military event is being given this kind of public emphasis by today's political leaders.

First, it is obviously inappropriate to embark on any kind of simplistic military triumphalism. This was an achievement only bought with immense human suffering, on both sides. There are veterans who lost comrades, and families that lost fathers, husbands or brothers; it is they who can claim an inalienable part of the truth about this campaign. If D-day is to be remembered, it should surely be in a solemn commemoration in church or by a graveside, not with the nationalistic waving of flags. The significance of the Normandy invasion surely should not be reduced to the public rhetoric of patriotic glory.

In any case, the D-day celebrations seem designed to convey a misleading interpretation of history. The flag-waving tacitly suggests that it was the western allies who defeated Hitler, single-handedly. We know that the former Soviet Union played at least as big a part, and suffered much bigger loss of life, but do we celebrate the siege of Leningrad, or the battle of Stalingrad, or the reconquest of Ukraine? We do not.

The reluctance of western propagandists at the time to publicise the heroism of the Russians was subsequently reinforced by the cold war. But, in addition, the western celebrations of the Normandy landings have been kept alive as part of a hidden agenda: or rather, two hidden agendas, one French, one British.

The French have promoted the D-day commemorations for reasons of national mythology, the British for national nostalgia.

The significance of the event should not be reduced to the rhetoric of patriotic glory

of France's humiliating collapse in 1940 and the long and willing collaboration of the Pétain regime with Hitler's Germany.

The exorcism and the mythology were necessary, in turn, to justify France's role, from 1944 on, as one of the big four postwar powers, with a share in the occupation of Germany and a permanent seat on the United Nations Security Council. Since France's great-power eminence is now challenged by the rise of united Germany, it is all the more important to keep alive the memory of D-day.

For Britain, the commemoration of D-day has been made a central feature of the national nostalgia for the days of military glory, when Britain was great and victorious. Above all, those were the days when Britain was allied, on what seemed like almost equal

terms, with the Americans. The British have never quite got over the excitement of the association.

The habits and principles of military co-operation developed for D-day became the indelible and sacred template for the later military integration of Nato; and the British are still playing the role of high priests of Nato, as if history and American policy had not moved on.

In political terms, the memory of the Anglo-American line-up against the continental Axis established a distorting prism which is still reflected today in the knee-jerk anti-Europeanism of Britain's ruling Conservative party.

For the purposes of its campaign for the European parliament election on June 9 and 12, the Conservative party appears to be trying to idealise D-day as the epitome of a lost 'golden age'. The reality is that it was one important turning point in a world war which only a minority can now remember; it was not the end of history.

In the meantime, the kaleidoscope has shifted several times in spectacular fashion. The Russians, who were then our allies, became our enemies for 45 years, but are now friends with us again, or at least precarious partners. The Germans who were then the anathema of the civilised world, soon became our allies, and central protagonists in the long process of building a peaceful, democratic and integrated Europe.

If we were celebrating D-day as a symbol of the defeat of Nazism, it would be more broad-minded if we included the Russians; and it should be easier to do so now that we have defeated the aggressive pretensions of Soviet communism, especially since we did so, not through war, but through the peaceful strategy of deterrence exerted by the North Atlantic alliance. But we could also celebrate the Normandy invasion as a symbol of the banishment for the subsequent four decades of war from the continent of Europe; in which case we should include the Germans.

Instead, we are to have a selective celebration, inspired by an atavistic nostalgia, which seems designed to deny everything that has been learned in Europe over the past 50 years. It seems a great pity.

This is the Welsh Development Agency. The office is now closed," began the recorded telephone message yesterday morning at the agency's Pearl House headquarters, a landmark 18-storey building in central Cardiff.

An extended bank holiday might have come as a relief to the beleaguered staff at the government-funded agency, as it faces yet another brouhaha over the way it is run. On the other hand, its answerphone message might be symbolic of its clouded future - even if closure itself is not on the agenda. Morale at the agency, responsible to the Welsh Office for promoting economic development in Wales and improving the physical environment, is low.

"Everyone is confused," said one insider. "Every time there is something positive, there is then another knocking story."

The latest allegations centre on a BBC Wales television investigation. The broadcast last night claimed that the Welsh Office had unlawfully used the agency to channel £7m in grants to mid-Wales, with the presumed purpose of bolstering Conservative prospects in marginal constituencies after the region had lost assisted area status in 1982. This, the programme claimed, was outside the agency's legal powers.

As the Labour party called for the resignation of Mr John Redwood, Welsh secretary, he retorted by denouncing the BBC for what he called "scandalous allegations" and a "put-up job". He said the grants had been legally disbursed and parliament had been told of the scheme in 1982.

Whatever the rights and wrongs of the latest claims - and Mr Redwood put the calls for his resignation in the context of campaigning for next week's European Parliament elections - the government's embarrassment over Welsh quangos in general, and the WDA in particular, remains considerable.

Since Mr Redwood succeeded Mr David Hunt as Welsh secretary in May last year, he has confronted a seemingly unending series of disclosures concerning the quangos - the unofficial name for non-departmental unelected public bodies.

At present, the Conservatives only hold four of the 38 parliamentary seats in Wales, and the growth in the popularity of quangos since the Tories came to office in 1979 is

Re-enter the dragon of controversy

Roland Adburgham on the latest allegations to swirl around the Welsh Development Agency



seen by many government critics as a way of bypassing the electorate. Professor Kevin Morgan, of the department of city and regional planning at the University of Wales, last autumn published a study of quangos entitled *The Democratic Deficit*, which called for more accountability.

The WDA, as the highest Welsh quango with a total budget of £157m this year, is at the centre of the argument about the role of such bodies. Mr David Rowe-Beddoe, appointed chairman by Mr Redwood last summer to rid the agency of its aura of unacceptable behaviour, was found to have been a former Conservative party fund-raiser overseas.

While Mr Redwood denied having known this when he appointed Mr Rowe-Beddoe, the incident served to reinforce claims that Welsh Office appointments to quangos have not always been politically neutral. The WDA itself was set up by act of parliament in 1975 (under a Labour government) and has played the leading role in dealing with Wales's legacy of old heavy industries - coal, iron and steel. Its efforts at land reclamation, urban regeneration and winning overseas investment have been widely praised.

What has not been admired is the way in which it failed to reconcile its responsibilities as an agency of government, accountable to parliament, with its attempts to play an entrepreneurial role more appropriate to the private sector.

But Mr Walker's bullishness that the Welsh economy could be rapidly transformed, with the WDA acting as a catalyst, has proved to be misplaced, even though unemployment was brought down to the UK national average.

While Mr Walker and Dr Jones were selling Wales around the world, however, the agency's managers failed to stop the kind of internal practices which last year were criticised by the Commons public accounts committee.

While there was no evidence of corruption, these included a loss of £1.4m on an unapproved agency redundancy scheme, the provision of free private motoring for senior agency executives, expenditure of more than £300,000 on consultancy fees to consider partial privatisation, which was not identified separately in accounts, and the appointment of a convicted fraudster as marketing director. Another board member until recently was Sir Donald Walters, a prominent Conservative supporter in Wales.

Dr Jones ended his chairmanship early last year. Mr Philip Head resigned as chief executive last October after the public accounts committee's criticisms, and other heads

rolled, including that of Mr Mike Henry, director of corporate services, who is bringing a case of unfair dismissal, and who contributed to last night's BBC programme.

A wholesale restructuring of the agency, which entails the loss of about 70 of its 420 jobs, is under way under Mr Rowe-Beddoe, and a new chief executive, Mr Barry Hartop. The board has been strengthened by the appointment of Professor Garry Rhys, an automotive industry expert, and Rhannon Chapman, former director of the Industrial Society.

One ex-officio vacancy on the WDA board is that of the chairmanship of another quango, the Development Board for Rural Wales. The awkward reason for the vacancy is that Mr Glyn Davies, the rural board's chairman, resigned last month in the wake of another blistering report by the Commons public accounts committee over an illegal housing allocation scheme. No successor has yet been appointed because Mr Redwood is reviewing the rural board's entire future.

The Welsh Office itself has not managed to divorce itself from criticisms of the quangos. Earlier this year, Mr Michael Scholar, permanent secretary, found himself taken to task by the public accounts committee for the Welsh Office's failure to demand disciplinary action at the quangos, and only last month the committee described the department's monitoring of public accounts as "unacceptable".

While Mr Redwood may feel he is unfairly bearing the brunt of allegations relating to events that took place before his time, after his first year in office the quangos continue to provide ammunition for his opponents. Board members are on the defensive and regard much of the criticism as politically motivated. Yesterday, one commented: "There are axes being ground. If the power base were reversed, would it be very different?"

Prof Morgan counters by saying that the common thread in the scandals is the culpability of the Welsh Office in its monitoring of the quangos. "The key issue is to try to restore some credibility to the appointment process - it is far from being transparent and certainly not fair," he says. "It needs to be far more impartial. The second issue is they way they are regulated."

This leaves the task of raising the credibility of "quangoland", as Mr Redwood himself has described it, firmly at the Welsh secretary's door.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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London SE needs 'circuit breakers' to avoid volatility

From Mr David Grenier.

Sir, A large part of the market turmoil seen in London last week can be directly attributed to the operation of futures and options trading. On the two days when the FTSE-100 Share Index fell more than 50 points, futures trading was heavy with trading in the actual market was light.

The trading rules of the London market encourage aggressive use of traded options and futures, whether on the bear or the bull tacks. It is surely now time for the stock exchange to

follow the lead of the New York Stock Exchange (and other markets) by introducing "circuit breakers". These would come into operation automatically on a 50-point fall (or rise) in the FTSE-100 Share Index.

Only in this way can the London market avoid the creation of false markets through excessive volatility.

David Grenier,
Independent Investment
Management,
11 Old Jewry,
London EC2R 8DU

View of the EU does not represent the majority

From Mr Gerald Frankel and Mr Ben Coleman.

Sir, Lord Chalfont and others are quite wrong to put forward their view of the European Union as that of the "silent industrial majority" (Letters, May 31). The millions of owners and employees of small businesses would be unlikely to agree with its main contentions.

The European single market may suit multinationals but it remains a threat rather than an opportunity for most small UK firms (only the largest companies, for example, can afford to commit resources to ensuring that new European standards are not to their disadvantage).

The European social chapter is irrelevant to small companies, which are specifically exempted by Article 2 ("directives shall avoid imposing administrative, financial and

legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings"). They are more worried by issues such as late payment by larger firms.

The potential entry into the European Union of low-cost central and eastern European countries, while welcome to importers and to multinational seeking ever cheaper labour, fills most small firms with dread.

By all means give space to Lord Chalfont and his friends. But please acknowledge which part of British industry they are coming from.
Gerald Frankel,
deputy chair,
executive member,
Labour Finance & Industry
Group,
14 Boscombe Road,
London W12 9EP

Conditions must be right for China to be in Gatt

From C M Purvis.

Sir, Your leader, "Bringing China into the Gatt" (May 30), stresses the need to deal with some difficult issues before finalising China's accession to the General Agreement on Tariffs and Trade or to its successor, the World Trade Organisation.

You are right to include in the list of such issues the state-owned enterprises and the export of prison-produced goods. What is equally important, however, is to obtain the removal of non-tariff barriers inhibiting exports to China.

China, together with a substantial reduction and binding of Chinese tariffs. Such a step - if properly implemented by China and policed by Gatt and WTO - would at once cut the

ground from under backward looking policies of central control and self-sufficiency; it would also, importantly, make it much more difficult for Chinese enterprises to disrupt world markets by dumping practices.

It is vital for the world trading system to get these conditions right. The Gatt should not be pressured into agreeing unsatisfactory compromises for the sake of speed.

C M Purvis,
director general,
International Rayon and
Synthetic Fibres Committee,
Avenue E van Nieuwenhuysse, 4,
B-1160 Brussels,
Belgium

More to be done in order to contain derivatives risk

From Mr Michael Chamberlain.

Sir, Your report "GAO rings alarm bells over danger of derivatives" (May 19) concludes with references to the recommendation of the General Accounting office in the US that regulatory attention should be paid to the accounting and disclosure regime for derivatives.

While many different accounting recognition and measurement issues related to derivatives remain to be resolved both in the US and elsewhere, more could quite quickly be done in the disclosure field internationally to ensure that investors are made aware of companies' strategies for risk management and their exposures to both credit and market risk, as a minimum.

Progress has already been

made in some countries in this field. The examples already set could usefully be followed by others and the UK is one of those where there is ground to be made up.

But accounting standard sectors from various countries and the International Accounting Standards Committee are meeting this month in Edinburgh to examine this subject.

It is to be hoped that advances can usefully be made there on the priority issue of disclosure, even if agreement on accounting proves to be more elusive.

Michael Chamberlain,
president,
Institute of Chartered Accountants,
Chartered Accountants' Hall,
Moorgate Place,
London EC2

Negative view of what is an essential policy of privatisation

From Mr David Ringrose.

Sir, Those reforms in eastern Europe and the former Soviet Union that have had the most positive effect on sustainable, long-term job creation have been brought about by those who recognise that private enterprise is a way of facing up to the pressure of the invisible hand of the market.

By ignoring the positive

motives for governments' decision to withdraw state control over sectors of the economy, the article "Privatisation in Europe could cost 800,000 jobs" (May 25) presents privatisation as a zero-sum game, rather than as a tool for managing change in a global economy. It is a one-sided view of a policy the many virtues of which the FT has long extolled, not least,

implicitly, in the editorial, "A manifesto for business", of the same day ("It is encouraging that the government now accepts that [big new spending on industrial support] more often [creates] problems by retarding essential adjustment"). To what does BA owe its increase in profits, except to such "essential adjustment"? Why do BT, British Gas and

British Steel have healthier futures than most of their competitors?

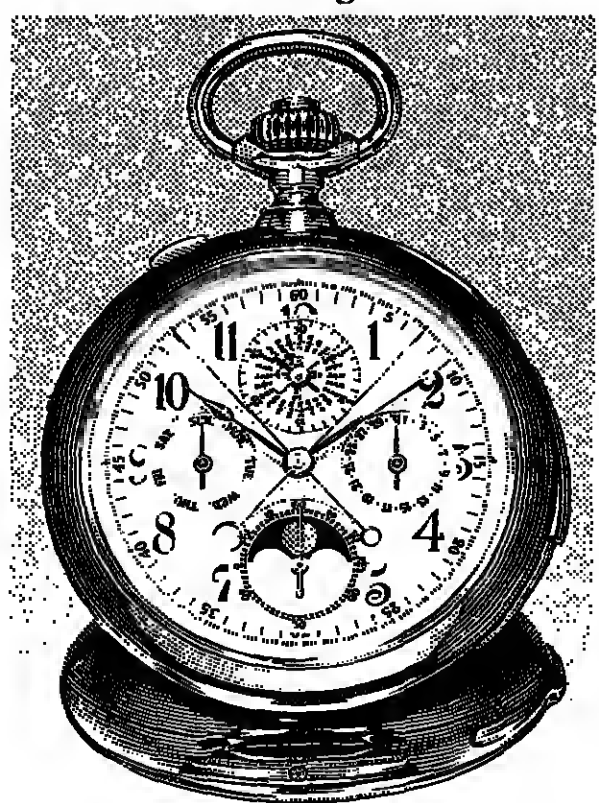
Privatisation is not a cure-all, but it is surprising to see the FT highlighting only the negative side of an essential policy.
David Ringrose,
Hammersmith 44,
Brussels,
Belgium

EXHIBITION

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Wednesday June 1 1994

The battle for dividends

Despite a widespread assumption to the contrary, Tory governments are not invariably on the side of big dividends. In the early 1970s, the Heath administration shocked the City by capping payments to shareholders while imposing a pay freeze. In a recent speech, the Financial Secretary to the Treasury, Mr Stephen Dorrell, made it clear that the present government would not repeat the mistake of intervening directly in fixing dividend levels. But he suggested that companies appeared to be over-distributing — a view shared by Labour — and that this could have an adverse impact on investment.

The government's case has been vigorously attacked by fund managers, including Mr. Paul Lister, managing director of the M & G Group, in these pages. His views are widely shared by other institutions including the pension funds, who have been caught on a particularly raw nerve. The average British pension fund is now mature, with pensions being paid out of investment income rather than new cash flow from contributions. Pension fund managers are thus more sensitive to changes in investment income. And they have been stung by the reduction in tax relief on dividends introduced by the former chancellor Mr. Norman Lamont, who failed to recognise that taxing pension funds simply forces companies to raise pension contributions.

In economic theory, investors should be indifferent to whether profits are distributed or reinvested. But statistical research by investment bankers BZW has shown that since 1918 two-thirds of the total UK equity return has come from income rather than capital. There is thus a natural tendency for British fund managers to pay particular attention to dividends. And since the growth of tax-exempt institutions has introduced a bias towards distribution into the corporation tax system, it is not surprising if dividend cover is on the low side by international standards.

Reluctant buyers

For pension funds, approaching maturity the obvious step should be to increase holdings of gilt-edged. Yet British fund managers' memory of the destruction of fixed-interest values is too recent to make them other than

reluctant buyers. Small wonder that they now want the equivalent of the commercial property landlord's upward-only rent review in equities. The question is whether this attempt to turn equity into a more stable, low-risk investment makes sense for companies and the wider financial system.

Artificial boost

There is anecdotal evidence that the recent reduction in dividend cover to historically low levels is partly a hangover from the 1980s contested takeover boom. Industrialists have no wish to alienate investors who may be the arbiters of their fate in a future bid battle. Yet some argue that a fall in dividend cover is appropriate in today's low-inflation environment, since historic cost accounting no longer provides such a big artificial boost to reported profits. And while research by academics at the Institute for Fiscal Studies suggests that the level of retention does affect investment spending for a significant proportion of companies, the historical correlation between high payouts and high investment by industrial and commercial companies remains striking.

CSI surveys suggest that industrialists are far more worried about inadequate returns on investment than shortage of finance. That, in turn, reinforces the suspicion that companies have been slow to reduce hurdle rates of return and payback periods in response to disinflation. This leads to two mutually contradictory possibilities. Either companies are reluctant to invest because they believe that inflation is set to rise again, in which case their hurdle rates of return are right and dividend cover is too thin on a historic cost basis. Or the constraint on investment that Mr Dorrell fears has nothing to do with low dividend cover and everything to do with management's failure to adjust hurdle rates to disinflation.

The way to resolve this dilemma is not for the government to tinker with the tax system on the basis of inconclusive data. Time and market forces will anyway help bring about an adjustment. For their part, industrialists should recognise the legitimate income needs of the institutions, but be robust in defending their cash flow when prudence requires.

Tangled yarn in Ulster

Northern Ireland has the highest unemployment rate in Britain, an economy unhealthily dependent on public support and an image which can deter foreign investors. Any private sector manufacturing project which promises to create hundreds of jobs there should normally be welcomed. However, such a welcome can only be extended with confidence when there is clear evidence that the project stands a reasonable chance of success.

It is difficult, on the basis of the public information available to date, to form such a judgement about the plan by Hualon, a Taiwanese industrial conglomerate, to build a \$150m synthetic fabrics plant in Belfast. Too many unresolved questions surround the background of some of the individuals involved, the economics of the project and the manner in which it has been dealt with by both British authorities and the European Commission.

These questions take on particular importance because the plant is being assisted with \$50m of public money. It is surprising that the government proposes to give these funds to a company, two of whose top managers have been charged — and one of them convicted — in connection with an alleged financial fraud. Ministers have declined to say whether they know of the charges and, if so, why they considered it proper to back the project. Inquiries have been referred to Northern Ireland's Industrial Development Board, which conducted the negotiations with Hualon. The IDB's response has also been unsatisfactory.

Shrinking market

Lack of clarity also surrounds the plant's proposed operations. The market it is being set up to supply is already shrinking, and will face further pressures as the EU lifts controls on imports from developing countries with far lower labour costs. The IDB says Hualon plans to compete by using highly automated capital-intensive production methods. Yet it claims the plant will employ 1,500 people. Not only is that figure regarded as high by others in the textiles industry, but the European Commission says it was able to approve state aid for the plant only because its technology is so

UK lobbying

A different set of issues arises from the conditions in which the project was approved by Brussels. The UK government's energetic lobbying for approval — against competition objections from commission experts — is inconsistent with its repeated criticisms of other countries' industrial subsidies. Nor has the Commission's apparent readiness to yield to political entreaties enhanced its reputation for impartiality.

Beyond that, the case highlights a deeper dilemma in EU policy. In principle, its efforts to encourage the transfer of resources to Europe's poorer regions is to be commended. In practice, the result has too often been rivalry between governments to woo mobile investments with large financial inducements. These penalise other producers and distort markets, particularly in sectors such as synthetic fibres where there is chronic excess capacity. Such policies also risk attracting marginal investment projects which cannot raise funds elsewhere.

Above all, governments' overriding desire to create jobs can too easily impair their judgement. A memorable consequence was the De Lorean car venture in Northern Ireland, which collapsed in the early 1980s. There is no evidence to suggest the Hualon plant will suffer a similar fate. But taxpayers and the people of Belfast need more information about the project. The political accountability of the IDB also needs to be clarified. If ministers will not provide answers voluntarily, the newly-formed Commons Northern Ireland committee should require them to do so.

Greek investors, some carrying attaché cases filled with cash, crowded into banks and brokers' offices yesterday to take advantage of the highest interest rates of the postwar period. The drachma crisis has sent short-term rates soaring, with commercial banks offering returns on deposits that match the Socialist government's issue of a new series of high-yielding bonds.

The Greek currency has survived more than two weeks of speculative pressure, but at a heavy cost. The sharp increase in interest rates on tax-free government securities is the latest move in the battle to avert a devaluation.

Mr Andreas Papandreu, the Socialist prime minister, insists devaluation must be avoided because it would fuel inflation and undermine confidence. He sounded optimistic at the weekend, asserting "the battle for the drachma is still continuing and it is critical, but it has effectively been won."

The drachma slipped yesterday, closing at 148.1 against the D-Mark compared to D147.9 on Monday. But it is still supported on a cushion of foreign currency from overseas investors attracted by the government's series of "superbonds". A one-month zero-coupon bond was issued at 27 per cent, while the three-month Treasury bill, offered last month at 16.5 per cent, now carries a rate of 25.5 per cent.

Greece's currency crisis was triggered by the government's decision on May 16 to lift all remaining controls on capital movement, six weeks ahead of the deadline set by the European Union. There has been no flight of capital, because of high domestic interest rates and the introduction by the central bank of complex regulations for transferring funds abroad. But liberalisation provoked immediate attacks on the drachma. Financial markets expected that the government would devalue rather than exhaust Greece's modest \$90m foreign exchange reserves in trying to support the currency.

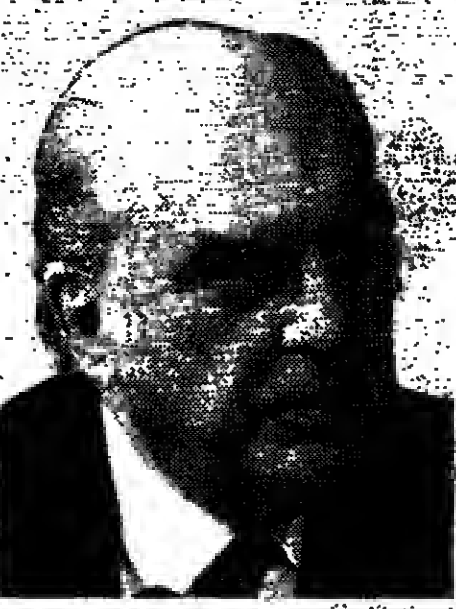
The reasons for the drachma's problems, however, go deeper. Because of its chronically high inflation rate, Greece was not able to join the exchange rate mechanism of the European Monetary System. The central bank's "hard drachma" policy, allowing the drachma to depreciate against other EU currencies at a slower pace than inflation, has made the currency appreciate in real terms: most estimates suggest the drachma is overvalued by at least 20 per cent.

Another reason for the drachma's current weakness is the failure of recent governments to reduce the public sector deficit, which this year could reach 17 per cent of gross domestic product. With spend-

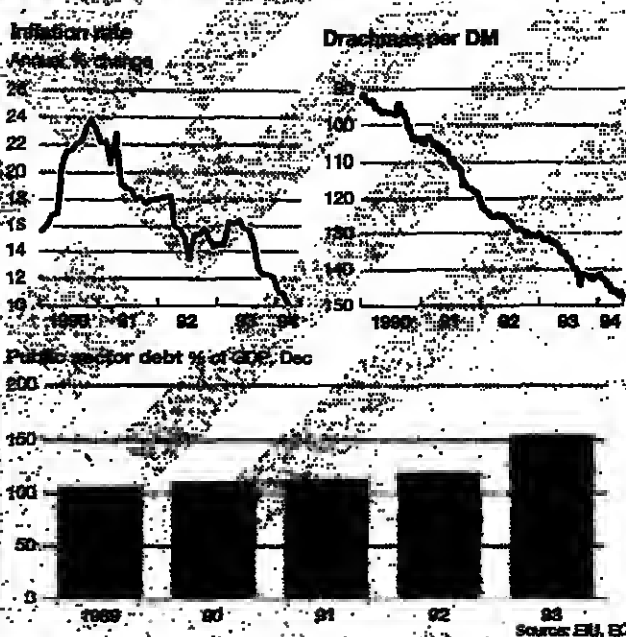
Pressure to devalue the Greek currency will not abate while the economy is unbalanced, says Kerin Hope

Out of sync with their partners

Greece: classic case of a currency in crisis



Andreas Papandreu, prime minister



Source: ERM, EC

ing exceeding economic growth for the past decade, Greece's accumulated debt is now equal to about 150 per cent of annual GDP. This month, the government must raise some Dr450bn (€1.2bn) from domestic and foreign investors to pay interest charges on the debt.

"The debt is deterring investment. Servicing costs are so large that interest rates cannot come down. And the new bond issues will lock the government into maintaining even higher interest rates," says Mr Peter Doukas of Citibank, the US bank.

Mr Papandreu's decision to defend the drachma by raising short-term interest rates comes at a particularly awkward moment. Unless measures to boost income are taken quickly, a shortfall in tax revenues through evasion will increase the government's borrowing requirement this year to 18 per cent of GDP, against a budget target of 12.8 per cent.

The need to improve revenues has forced the Socialists to abandon their ideological opposition to privatisation. Unbundling the state is now a priority, with public offerings

being planned for several utilities, starting with OTE, the state telecommunications monopoly. The flotation of 25 per cent of OTE later this year should raise Dr250bn, enough to cover half the projected revenue shortfall.

More drastic measures, however, will be needed to restore the drachma's stability. Economists are calling for both short-term measures to boost revenues and structural reforms to reduce the annual public sector deficit. "Now that capital controls are gone, the drachma can come under pressure at any time. The only serious defence is to address the underlying problems — the yearly deficits and the total debt," says Ms Miranda Xafa of Salomon Brothers, the US investment bank.

Mr Alexandros Papadopoulos, the finance minister, claims that renewed efforts to collect tax arrears will yield an extra Dr200bn later in the year to cover the rest of the expected shortfall. With European Parliament elections less than two weeks away, the Socialists are reluctant to incur the political cost of launching an emergency fiscal

package. Mr Papadopoulos argues that the benefits of short-term measures such as price increases for petrol and utilities would be outweighed by their impact on the inflation rate. Since their return to power last October, the Socialists' main economic task has been to bring inflation down to single digits during 1994. But in April the year-on-year inflation rate crept up from 10.2 to 10.4 per cent, ending a steady 10-month decline.

Nevertheless, the government is under increasing pressure from its EU partners to introduce structural reforms. The rising deficits and debt are pulling Greece further from the Maastricht economic convergence targets. The gap with the rest of the EU will widen again this year, with GDP growth in Greece forecast at less than 1 per cent.

Mr Henning Christophersen, the European Commissioner for economic affairs, has proposed that Greece should use its position as EU president to win approval at this month's Corfu summit for an economic package. To reduce the public sector deficit, it should

include deep spending cuts. With payroll and pension costs accounting for 40 per cent of budget outlays, there seems no alternative to shutting loss-making state enterprises and eliminating a large proportion of the 50,000 civil service jobs. Like their conservative predecessors, the Socialists are unwilling to adopt such unpopular measures. Yet they could pay a high price for ignoring the Commission's advice. Greece is already unpopular with its partners for failing to implement two previous stabilisation plans since 1990 and over its blockade of the former Yugoslav republic of Macedonia. The Commission is preparing legal action against Greece for violating Treaty of Rome requirements on EU trade with the embargo.

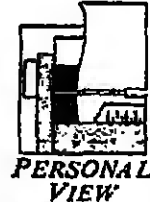
Recovery in Greece is based on the assumption of increased inflows of EU assistance, amounting to €16.5bn over the next five years. As well as promoting growth through grants that will cover up to 80 per cent of financing for large infrastructure projects, the funds will help to keep Greece's current account deficit at manageable levels — about 2 per cent of GDP. But if Greece fails to make progress towards the Maastricht targets, some EU financing may be withheld.

Such progress may be difficult because the chances for economic recovery are now threatened by the turmoil on Greek financial markets. Triple-digit interest rates on the interbank market are creating a liquidity squeeze for Greek banks, now being reflected in soaring interest rates for corporate borrowers.

The banks' most reliable customers saw interest charges on "working capital" jump from 25 to more than 40 per cent last week, while new borrowers were turned away. Moreover, the liquidity problem is likely to continue as deposits are siphoned off into high-yielding government securities. "It's impossible to hold money market rates at such high levels for more than a couple of weeks without disrupting the whole economy," Ms Xafa says.

Few economists believe the drachma can withstand prolonged pressure. Given Greece's underlying economic imbalances, the question of devaluation is likely to resurface. In the medium-term, the "hard drachma" policy will have to be relaxed to accommodate a faster slide than the 6 to 7 per cent projected for this year. But the longer the government delays the needed fiscal stabilisation, the greater the risk that the decline of the currency will become totally out of control. As Mr Doukas says: "The question is not whether, but when and by how much the drachma will come down."

German M3 boiler builds up steam



PERSONAL VIEW

As German broad money supply (M3) now seems set to exceed its target for the third year in a row, pressure on the Bundesbank is growing to ignore what Bundesbank president, Mr Hans Tietmeyer, calls an "important intermediate indicator".

The Bundesbank itself has been strengthening the hand of critics of monetary targeting by lowering interest rates sharply despite very strong money supply growth in the past six months. Abandoning M3 now as a signpost for monetary policy would be a grave mistake for at least two reasons. First, there is no convincing evidence so far that the long-run relationship between money supply growth and inflation has ceased to exist. Publicly available independent studies, such as those from the Kiel Institute of World Economics and the OECD, have found some evidence for a short-term disturbance in the demand for money in the wake of German unification. But they have failed to reject the

hypothesis that the long-run demand for money has remained stable.

Second, excessive money supply growth has reflected the partial monetary financing of government debt, which, if continued, could threaten the purchasing power of the D-Mark.

In recent months Bundesbank representatives and other observers have attempted to explain the rampant growth of money supply on the basis of portfolio shifts between money and "monetary capital" (the longer-term liabilities of the credit institutions, excluded from M3).

In reality, however, expansion of credit has been driving money supply growth. At the end of 1993, total bank credit amounted to about DM3,800bn, money (M3) to DM1,900bn, and monetary capital to roughly DM2,100bn.

With bank credit rising at an annual rate of 10.3 per cent between the end of 1991 and the end of 1993, monetary capital would have had to grow substantially above this rate to neutralise the effects of credit growth on M3. In fact, monetary capital grew at

an annual average rate of only 7.7 per cent, so the annual rise of M3 during this period was 8.7 per cent.

If the expansion of bank lending had been used to finance investment in future productive capacity, there would have been little reason to worry.

However, between the second half of 1990 and the second half of 1993,

Twice this century the monetisation of government debt has led to German hyperinflation

real investment in machinery and equipment in united Germany declined by about 4 per cent. This suggests that most of the credit was used for housing construction and consumption.

An important source of the demand for bank credit was the public sector. Between the end of 1989 and mid-1993, public debt rose by 53 per cent. By the end of 1994, the rise will be more than 115 per

cent. The lion's share of this increase was incurred to finance transfers to east Germany. Since the appetite for German domestic savers for government bonds was not sufficient to absorb the new debt, the government exported part of it by selling bonds abroad, and allowed the monetisation of another part.

Reflecting foreign purchases of government bonds, the German public sector's external liabilities rose by 115 per cent between the end of 1989 and mid-1993. Reflecting the monetisation of government debt, bank credit to the public sector rose by 56 per cent between the end of 1989 and February 1994.

As a result of the increase in public bank credit, banks' holdings of government bonds rose by 132 per cent during this period.

As a result of these factors, M3 increased by 46 per cent between 1989 and 1993, considerably outstripping the rise in real GDP in united Germany of only 19 per cent.

Twice this century, after the first and second world wars, the monetisation of government debt has led to hyperinflation in Germany and

subsequent monetary upheavals.

It is worth remembering that, in both periods, the government authorities undermined and eventually broke the initial resistance of the Reichsbank against monetary financing of government debt.

It would be clearly exaggerated to compare the past financial burdens caused by lost wars with those arising in the wake of German unification. Nonetheless, if the central bank helps to finance the rapid accumulation of public debt, the government-financed operation to shore up east Germany since unification has clear potential to create creeping inflation.

In such circumstances, ignoring soaring money supply would be like suppressing the information from a pressure gauge of a boiler in which the steam is building up.

Thomas Mayer

The author is senior economist, Goldman, Sachs, Frankfurt. He writes here in a personal capacity.

Waste disposal unit

Denmark did not much like the European Bank for Reconstruction and Development when it was headed by Jacques Attali.

Nothing much has changed now it's run by another Frenchman, Jacques de Larosière. Svend Auken, the Danish environment minister, has peered the EBRD over his invitation to east European environmental ministers to attend a conference in Copenhagen tomorrow. The subject: discussion of "soft" loans to clean up messes left by the former communist regimes.

The EBRD is still very sensitive over its role and likes to keep all matters east European under its belt.

Thus, suggests Auken, the bank is trying to flush away his meeting. "Given a choice between building a Coca Cola plant... and a purification plant for sewage waste, they (the EBRD) will always choose the former," says an Auken aide.

The Danes claim the EBRD is pointedly sending only junior staff to Copenhagen, and that the bank has put word out that those east Europeans sending ministerial-level deputations can whistle for cash in future.

Such is the strength of EBRD influence today, that all the ministers invited have told Auken they will attend with pleasure.

Wouldn't have happened in Attali's day...

Lea makes way

Why is it that otherwise sensible economists are seduced by the bright lights of the media? It can't be the cash, since the best ones are already paid a handsome whack. It must be the chance of fame and glory.

Ruth Lea, currently chief UK economist at Lehman Brothers, is joining the UK's Independent Television News as economics editor, taking on the difficult task of explaining to a mass audience the intricacies of M0 in 50-second sound bites.

Lea is thus going to be ITN's answer to Peter Jay, the BBC's economics guru. Jay declines to come down his highbrow style and complex sentences — refined since his days as presenter of *Weekend World* in the 1970s — and thus has an arid following of at least three — the governor of the Bank of England, the programme producer, and Jay himself.

Lea has a more crisp, down-to-earth style, no doubt honed by 18 years in the civil service. She will need it in the increasingly tabloid-style ITN.

Breathe deeply

We now all know that president Clinton never inhaled. No such

OBSERVER



"I'd worry about going to Germany in case I got rabies"

shyness from Aussie politicians. Hours into her new job, the irrepressible Bronwyn Bishop, the Liberal Party's health spokeswoman, announced she supported tobacco advertising.

When Carmen Lawrence, the federal health minister, berated Bishop for this attitude, Bishop countered by recalling Lawrence's admission that she had used marijuana and "lived to tell the tale".

With Swiftian wit, the health minister riposted by saying that Bishop's boss Alexander Downer, had said much the same about his encounters with the weed, which perhaps explains why he has been

picked as the new head of the Australian opposition.

Prime minister Paul Keating — former manager of rock band The Ramones — is in the clear: "The heaviest I got was a few cases of beer behind the stage after a concert," he recently acknowledged.

But despite all this badinage, Canberra will suggest the real problem with local politicians is that they all remember to exhale.

Fidel burger

Conclusive evidence that the Cuban revolution is over: the government is trying to interest foreign investors in rehabilitating and operating Havana's Sloppy Joe's bar, formerly one of the country's leading tourist attractions.

Closed almost 30 years ago, the bar featured popular, albeit down-market fare. Whoever takes on the job has been promised the same building.

But will the famed innocent-tasting but potent daiquiris and planter's punches, as well as the splendid *jamon y queso* sandwiches return? Missing for sure will be the stunning señoritas once available for encounters at Sloppy Joe's. Some aspects of the revolution continue to defy change.

The building containing the bar still has photos of some of its better known clients, including boxer Joe Louis and film stars such as Errol

Flynn, Ava Gardner, Frank Sinatra and Alec Guinness.

One thing will have changed: the new bar is certain to have a no-smoking section. Maybe the country's leading non-smoker — Fidel himself — will take a seat.

Spanish stanza

The literary brilliance of London's brokers marches on, with Williams de Broke choosing to head a recent research note on Spanish bonds with the following lines from W.H. Auden's poem *In Memory of W.B. Yeats*:

*In the deserts of the heart
Let the healing fountains start,
In the prison of his days
Teach the free man how to praise.*

It used the text to suggest that former central bank governor Mario Rubio's stint in jail was "of minor importance to Spanish politics and to the Bonos market", and Felipe Gonzalez "is a good doctor".

Staggering periphrasis. The boys at de Broke should have concluded with another Auden verse of equal relevance:

*The glacier knocks in the cupboard,
The desert sighs in the bed,
And the crack in the tea-cup opens
A lane to the land of the dead.*

OK?

What's the difference between ignorance and apathy? I don't know and I don't care!

Government urged to speed pace of deregulation

S Korea considers early OECD entry

By John Burton in Seoul

South Korea is considering an unexpectedly early entry into the Organisation for Economic Co-operation and Development, which yesterday urged the country to increase the pace of deregulation to ensure continued growth.

The South Korean finance ministry said the government was contemplating a December application to the OECD, which it was hoping to join in 1996. The entry will mark another important step in the country's rapid economic progress.

In a survey released yesterday, the OECD gave good marks to a comprehensive package of economic deregulation and financial liberalisation measures proposed last year. But it added several caveats to its approval, particularly in the area of financial liberalisation.

"In contrast to false starts in the past, it is important that this

[deregulation] programme be implemented in full, and at a pace which leaves markets in no doubt that the process is irreversible," the report said.

It said that even if the reform plan was implemented by 1997, the Korean financial system will still have a higher degree of control than is found in most OECD countries.

It suggested, for example, that controls on capital inflows should be further loosened despite Korean fears that it could lead to inflationary pressure due to an increase in money supply. Other recommendations included a quickening of interest rate deregulation and allowing financial institutions more freedom to introduce new products.

The Korean government has used its tight control over the financial system to guide industrial policy, and an easing of controls will be seen as a challenge to its authority.

The OECD was critical that

"some elements of the old credit allocation will remain at the end of the liberalisation period".

These include a requirement that banks extend 45 per cent of their loans to small companies to promote their growth, while restricting loans to the 30 largest conglomerates, or chaebol. The OECD suggested the government's efforts to curb the economic power of the chaebol through credit restrictions were misguided.

"An economically more efficient policy would give the chaebol complete freedom to determine their activities. This considerable power over private companies is not only at variance with the concept of a free-market economy but may also put domestic firms at a disadvantage in competition with foreign rivals," it stated.

It recommended that the government should instead focus on "preventing actual abuse of market power" by the chaebol.

Major signals UK will go slow on Europe

By James Blitz and Philip Stephens

Mr John Major, the UK prime minister, last night signalled his government would be ready to opt out of the next stage of European integration as he sketched out a "multi-track, multi-speed" future for the European Union.

In a speech designed to make the Conservative party by stressing his determination not to cede further national sovereignty, the Mr Major flatly rejected the "old centralised prescription".

Instead he insisted that "a new vision of Europe" was emerging in which "the functions of the Community should be carried out in different ways, often involving different groups of states".

Speaking at a European election rally in Emswiler Port, he added: "I have never believed that Europe must invariably act as one on every issue. Trying to make every country conform to every plan is a socialist way of thinking. It is not for us."

Mr Major's comments marked out the growing difference between Britain and some of its EU partners over the evolution of EU decision-making.

Earlier this week, Mr Alain Lamassou, the French minister for Europe, hit out at government seeking to slow the pace of European integration and called for more centralised decision-making.

Senior Conservative party officials insisted he was not suggesting Britain would join the "slow lane" of a two-speed Europe.

Mr Major also made clear he was not raising the possibility that Britain - or any other EU state - could "duck out" of commitments made in the past.

But the speech was immediately seized on by the UK opposition parties as an admission by the government of its failure in Europe. Mr Jack Cunningham, the Labour party's foreign affairs spokesman, said Mr Major had admitted his government would let Britain fall behind in Europe.

The idea of a multi-speed Europe has been floated several times in recent weeks by Mr Douglas Hurd, foreign secretary, as a possible outcome of the 1996 intergovernmental conference on European integration.

But last night marked the first time that Mr Major had taken up the theme of so-called "variable geometry". He also used his second rally of the campaign to warn that the opposition parties would allow Brussels to dictate Britain's taxation and foreign policies.

Surrender of the national veto would threaten Britain's £3bn (\$4.5bn) rebate from Brussels and could also lead to higher taxes set by the EU and to a loss of control over Britain's own foreign policy interests, he said.

THE LEX COLUMN

Bonds under the hammer

The sharp falls in German government bonds yesterday are an object lesson on the dangers of issuing authorities trying to play the markets. The Bundesbank may have thought that it would calm nerves by withdrawing its second debt auction in a week. But far from being reassured by the temporary prospect of lower supply, the market simply worried that the move actually revealed a serious lack of demand. The Bank of England has got itself in a similarly awkward position by its reluctance to issue long gilts even when rates were at their lows. How much better off both would be if they simply borrowed routinely and regularly across the maturity spectrum. Then there would be no particular signal for markets to misread.

At least the Bundesbank may be right when it says the public sector has no pressing need for cash. The central bank transferred its DM18bn profits to the government in April and borrowing was heavy at the end of last year. Even so, withdrawing auctions cannot become a habit. Given the size of the budget deficit the Bundesbank will have to return before too long. The still-unanswered question is who will buy the paper on offer.

With international hedge funds and investment bank proprietary trading desks scaling down activities, bond markets are becoming more reliant on traditional domestic investors. The Bundesbank has pointed to the hope that its rate cuts would attract such buyers out along the yield curve, but the swollen M3 money supply suggests they remain reluctant to move out of cash. There is some evidence that retail investors are starting to nibble. It may take a further rise in real rates to bring them into force.

De La Rue

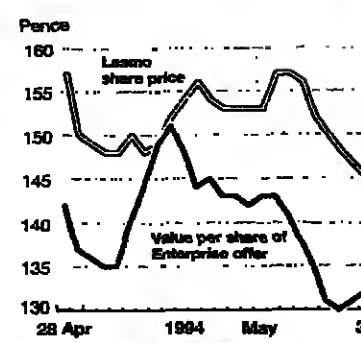
The once pedestrian business of printing banknotes is booming. De La Rue increased banknote sales by 17 per cent last year, four times the trend rate of growth, due to demand from newly-independent countries. Profits grew by rather more as rising capacity utilisation led to wider margins. While the company's order book suggests the banknote bonanza will continue for a year or two yet, such steady growth is unsustainable. In the longer term, rapid progress in banknotes depends on unlocking public sector printing contracts - which is why Porta's connections with central banks were almost worth hiding for.

Unless it can win plump privatisation contracts, De La Rue's interests in automated cash handling and payments systems will eventually have to take up the running. Even allowing for the favourable impact of currency movements, these businesses are performing well enough. Selling cash handling equipment should become easier as banks emerge from recession and start to refurbish branches. Such favourable impact from the banking cycle is already being felt in the US.

If organic growth starts to slow, De La Rue's £300m cash pile will become a more pressing issue. In relation to net assets the company is already holding more cash than Glaxo. It is a measure of De La Rue's small balance sheet that fresh equity would almost certainly be required to offset the goodwill from a sizeable acquisition. That is all the more reason to deal with the cash pile before it starts to exert real drag on the shares' rating.

FT-SE Index: 2970.5 (+4.1)

Enterprise/Lasmo



Source: Motenwort Barton Securities

Mediobanca will be relieved by yesterday's bounce in its share price. Not only does it apparently show that the market is unconcerned by news that four top executives at the Milan merchant bank are under investigation over their role as advisers to the Furzi-Montedison group. The higher share price will also ensure a smoother passage for Mediobanca's forthcoming £1.5bn equity issue. At yesterday's opening price of £15.30, the group's shares were uncomfortably close to minimum level of £15.00 that it had set for the issue.

Not that there was ever much doubt that the offering would go ahead. The Italian portion of the issue is apparently already underwritten, while many non-Italian banks would probably not wish to slight such a powerful force in Italian finance by declining to take part in its fundraising. Even if Mediobanca's share price dips beneath £15.00 in the coming weeks, it could still press ahead with the issue.

Mediobanca needs the new equity to maintain its grip on Italian industry. Several companies within Mediobanca's sphere have themselves recently issued shares or are planning to do so. The merchant bank therefore needs funds to avoid dilution. The money may also be used to accumulate stakes in the upcoming privatisations of Stet and Enel. Mediobanca's allies have already taken effective control of Banca Commerciale Italiana and Credito Italiano. Though the government has recently tightened the rules to prevent a recurrence in future privatisations, it remains to be seen whether they will be effective.

But all this is pretty minor stuff. What the market is waiting for is an improvement in Enterprise's all-paper bid. Today's announcement of the level of acceptances at the first closing is expected to confirm that there is little enthusiasm among Lasmo shareholders for the current offer. Given that Enterprise's chairman Mr Gra-

Europeans seek role in Japanese aircraft project

By William Dawkins in Tokyo

European aerospace companies yesterday called on Japan to include them in its latest attempt to fulfil a long-frustrated ambition of creating a world-class Japanese civil aircraft industry.

They said Japan was depriving itself of the "longstanding experience of European manufacturers in the regional market" by including Boeing as the sole western aerospace group in a development project for a short-range passenger aircraft, code-named YSX. China is also taking part.

The 70-80 seat airliner, due to come into service at the turn of the decade, is the centrepiece of Japanese civil aerospace policy, according to Mr Toshifumi Hirai,

director of the Ministry of International Trade and Industry's aircraft and ordnance division. As such, it is of vital interest to foreign suppliers.

Japanese officials said the inclusion of Boeing in the initial research for the government-backed YSX did not mean European suppliers would be excluded.

However, the European Business Community, Europe's main business lobby in Japan, is unconvinced, and said yesterday the exclusion of European suppliers would "further contribute to the imbalance between the US and Europe in Japanese aerospace collaboration".

ATR, the Franco-Italian regional airliner-maker, and Saab-Scania of Sweden are

among the groups hoping for a stake in the project.

Until last year, Mitsubishi was hoping to develop a medium-range, 150-seater aircraft, the YXX, with Boeing. But the ministry had to freeze the YXX after Boeing went for the cheaper option of updating an existing aircraft series. Japan was unable to continue alone, a frustrating reminder of its dependence on US technology.

Japan's only two home-grown civil aircraft since the war, the YS11, a 61-seat twin-propeller airliner, and the Asuka short take-off and landing aircraft, were commercial failures. They lacked international technical support and were of no interest to foreign airlines. The new short-range YSX is aimed at Asian and US regional airlines.

EU pact

Continued from Page 1

programmes. In deference to European partners, the committee said the agency would be open to other members of the Western European Union.

By redoubling their gestures of reconciliation during their summit, in Mulhouse, France, President Mitterrand and Chancellor Kohl gave the impression of wanting to make the most of one of their last official meetings. Mr Mitterrand is not up for re-election next year, and Mr Kohl's re-election in October is by no means sure.

Rostenkowski charged

Continued from Page 1

deadline, his statement issued late on Monday was unequivocal: "I did not commit any crimes. My conscience is clear and my 42-year record as an elected official is one I am proud to once again run on. Fighting to 'regain my reputation in court is a far more attractive option than pleading guilty to crimes I did not commit."

Mr Rostenkowski also promised to continue to fight for healthcare reform, on which he has been a key campaigner on

the administration's behalf. Yesterday, Ms Dee Dee Myers, the presidential press secretary, said the White House would continue to work with him.

There was speculation last week that the Democratic leadership might install one of its own as temporary chairman on the ways and means committee - perhaps Congressman Richard Gephardt, the majority leader - rather than leave the committee in the far less influential hands of the next-in-line, Congressman Sam Gibbons of Florida. But that option was rejected.

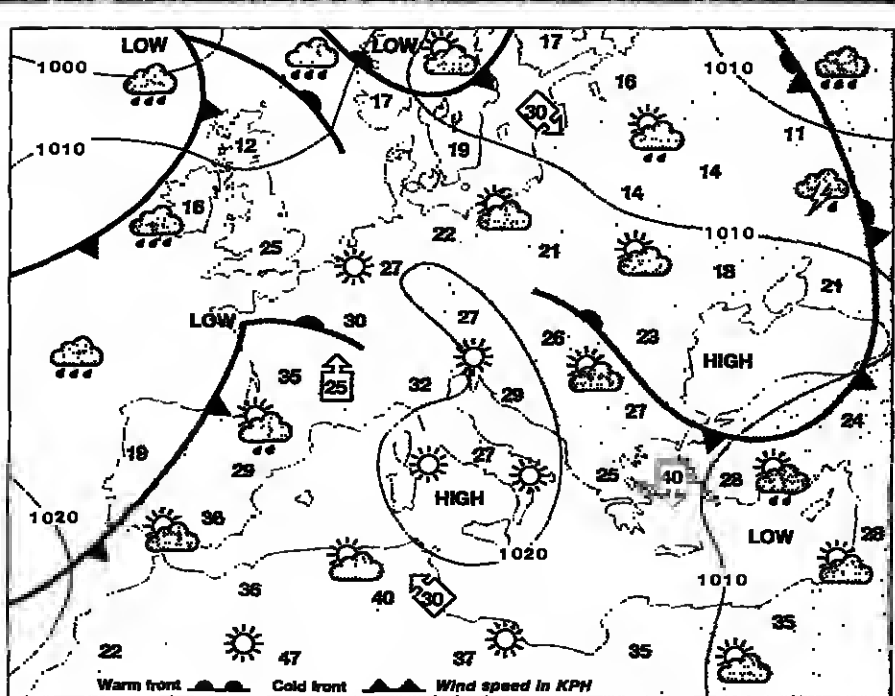
EU WEATHER GUIDE

Europe today

England will have sunny periods but cloud will increase from the south. Western Ireland and north-west Scotland will be cloudy with outbreaks of rain. High pressure extending towards Germany will direct increasingly warm air over western Europe. France, the Lowlands and Germany will be sunny and unseasonably warm this afternoon. Thunder storms will develop over western and central France during the late afternoon and evening and will move north east, followed by cooler air. Southern Europe will be warm and sunny with showers over the eastern Mediterranean.

Five-day forecast

Strengthening low pressure north of the UK will push a cold front towards the Alps and Pyrenees by Friday. Ahead of this front, it will be warm with thunder showers extending from north-east Spain across the Alpine countries towards the Balkans. The UK, the Lowlands and Germany will be cooler with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		
	Celsius	Beijing	fair
Abu Dhabi	sun 41	Beifast	drizzle
Acara	fair 38	Belgrade	sun
Algiers	fair 32	Berlin	fair
Amsterdam	sun 32	Bermuda	fair
Athens	sun 27	Bogota	shower
Atlanta	fair 31	Bombay	shower
B. Aires	sun 23	Brussels	fair
B.ham	sun 26	Budapest	fair
Bangkok	shower 34	Chengdu	fair
Barcelona	fair 29	Cairo	sun
		Cane Town	sun

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IN BRIEF

Seagram chief faces questions

Mr. Edgar Bronfman Sr., chairman of Seagram, the world's fourth-biggest drinks group, will today face shareholders' questions about his company's long-term relationship with Time Warner, the entertainment group. Page 30

Mediobanca nearly loses its temper
 Mediobanca is a bastion of discretion, opening up only twice a year to emit elegantly printed reports. However, on Monday evening Mediobanca came as near as it has ever done to losing its temper in public. Page 18; Lex, Page 17

Swedish forestry confident
 AssiDomän, the newly formed Swedish forestry group partly privatised in March, yesterday announced a 65 per cent increase in first-quarter profits. Page 18

Significant move on Wall Street
 Today Mr. Richard Braddock, Citicorp's president and chief operating officer until 1992, begins work at Clayton Dubilier & Rice, one of the few US buy-out firms to have come through the 1980s unscathed. The move is symptomatic of the re-emergence of buy-outs. Page 20

OM gets back to core
 OM Group, a Swedish company which runs derivatives exchanges in Stockholm and London, is selling its financing businesses and dropping plans to participate in founding a new Swedish bank. Page 23

Côte d'Ivoire's oil plan
 United Meridian Corporation, a US-based company, is developing two offshore oil and gas fields which by early next year would make Côte d'Ivoire self-sufficient in oil. Page 26

Beazer surges by 20% midway
 Pre-tax profits of Beazer Homes, the former Hanson UK subsidiary floated two months ago, jumped by a fifth. Mr. Dennis Webb, chief executive, said the market for housing land was very difficult in south-east England with some buyers paying "silly prices". Page 25

English China Clay's debut
 It took six minutes at yesterday's extraordinary general meeting to launch English China Clays as a specialty minerals and chemicals company, with trading in the demerged construction materials business starting today. Page 25

Amstrad recruits from Philips
 Amstrad, the UK-based consumer electronics group run by Mr. Alan Sugar, yesterday appointed Mr. David Rogers, a senior Philips executive, to the post of chief executive. Page 25

Heron board starts on shortlist
 Heron International's board of directors started the process of selecting a shortlist of six bidders for Gerald Ransome's troubled UK property and petrol stations group after the deadline for offers closed last Friday. Page 25

Lasmo shores up its defence
 Lasmo, the UK independent explorer under siege from hostile bidder Enterprise Oil, yesterday shored up its defence by announcing the discovery of a new find in Colombia. Page 24

Companies in this issue

ANSA	25	Macquarie	28
Amstrad	25	Mediobanca	22
AssiDomän	18	Mediobanca	24
BT	17	Mediobanca	18
BTI Nyte	24	Minig (Scotland)	24
Bangkok Land	22	Mitsubishi Motor	22
Besa	24	Mitsubishi Paper	22
Bacow Homes	25	New Oil Paper	22
CIA	24	Nippon Paper	22
CRH	12	Nissan	22, 17
Cardiff Property	24	Northern Telecom	20
Clayton Dubilier	20	Novo	20
Conquest Inns	24	Peritex	24
Danfoss	22	Petronas	24
Danier-Benz	22	Plym	24
Dalhousie Paper	22	Rockwood Mineral	24
De La Rue	18	Rank Organisation	24
Deutsche Aerospace	20	SW Electricity	24
English China Clays	25	Shanku	18
Enterprise Oil	24	Steel Auth of India	22
First Choice	24	Stratagem	24
Fuj Heavy	22	TTAT	22
Hall Engineering	22	Tenayong	22
Heron Int'l	25	Thibault & Britten	12
In	17	Trust Bank	22
JAL	18	Unichem	24
Lasmo	24	United Breweries	24
Loos Permanent	20	Volvo	18
MCI	17	Warburg (SG)	25, 17

Market Statistics

Annual reports service	28-29	Foreign exchange	34
Stockmarket last session	23	Gift prices	23
Bank shares and options	23	Life equity options	Back Page
Bond prices and yields	23	London share services	28-29
Commodity prices	23	London trade options	Back Page
Overseas interest rates	23	Managed funds service	30-32
UK interest rates	23	Money markets	24
European prices	23	New int'l bond issues	24
FT-A World Indices	Back Page	Recent issues	27
FT-Gold Index	Back Page	Short-term int'l rates	24
FT-Share Index	Back Page	US interest rates	23
FT-SE Actuaries Index	28	World Stock Markets	35

Chief price changes yesterday

FT-Share Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1
FT-100 Index	275.1	FT-100 Index	275.1

New York prices at 12.30

NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1
NYSE	275.1	NYSE	275.1

Prodi quits as Iri loses L10,230bn

By Robert Graham in Rome

Iri, the Italian state holding company, yesterday said 1993 losses had reached a record L10,230bn (£6.4bn), more than double the L4,800bn for the previous year.

At the same time, it was announced that Mr. Romano Prodi, chairman, had handed in his resignation to Mr. Lamberto Dini, minister for the treasury, the sole shareholder of Iri, which transformed in 1992 into a treasury-controlled public company

with a current capital of L15,000bn. Of the losses, L8,317bn was attributed to the reorganisation and restructuring of Iri's subsidiaries in the steel and construction/engineering sectors - Ilva and Iritecna.

But the heavy financial charges resulting from its L75,000bn debts, which include those of telecommunications and autostrada subsidiaries, also played a part. Debt directly attributable to the holding company was L18,085bn, against L20,000bn the previous year.

Iri indicated that some L5,000bn of losses was due to the reorganisation of its Ilva steel group and at Iritecna, its construction/engineering arm.

Ilva is in the process of being privatised and an announcement is close on the sale of its special steel operations.

Coinciding with yesterday's meeting, the Official Gazette published details of the decree approved by the previous Ciampi government allowing Iri to restructure some of its debt. This involves the issue of up to

L10,000bn in bonds by the treasury-controlled Cassa di Risparmio di Roma.

The departure of Mr. Prodi has been widely foreshadowed. He agreed a year ago to return to Iri having been chairman from 1982-89. However he has found himself out of sympathy with the Berlusconi government.

Mr. Silvio Berlusconi, the new prime minister, has made no real effort to retain his services at Iri and is even reported to have offered him a European Commissioner's job in Brussels.

Mr. Prodi, who nurtured political ambitions, is expected to return to his economic research institute in Bologna in the short term.

His departure raises big questions about the future direction of Iri, especially as the Berlusconi government is pledged to accelerate privatisation.

During his chairmanship, Mr. Prodi has overseen the privatisation of part of the foodstuffs group SIME, and two banks - Credito Italiano and Banca Commerciale Italiana.

Fall in new car sales hits Japanese carmaker ■ High costs hold back airlines

Nissan doubles deficit warns of further losses

By Kevin Done, Motor Industry Correspondent

Nissan Motor, Japan's second largest carmaker, plunged to a record consolidated pre-tax loss of ¥202.4bn (£1.9bn) in the 12 months to the end of March, its worst financial performance since it became a public company.

The group, which has been hit by the appreciation of the yen, and the deep recession in the Japanese and the European new car markets, warned yesterday that it would suffer a third consecutive year of losses in 1994/95.

Its group pre-tax loss almost doubled last year from ¥108.1bn. The operating loss jumped to ¥144bn from a loss of ¥72.2bn, while its net loss rose to ¥86.9bn from ¥56bn.

In Europe the company has suffered heavy losses at Nissan Motor Iberica, its Spanish subsidiary,

while the pre-tax profits of Nissan Motor Manufacturing UK, its British car production operation, fell to £2.1m from £29.6m.

Nissan Motor (GB), its UK sales and marketing subsidiary, managed to break even with a pre-tax profit of £781,000 following a loss of £16.8m in 1992. Its first full year of operations.

Nissan's worldwide vehicle production fell 7.4 per cent last year to 2.74m. Domestic production declined sharply by 14.1 per cent to 1.75m while production overseas increased 7.2 per cent to 993,000. Group turnover fell 6.4 per cent to ¥5,801bn. Nissan performed strongly in the US with a 15 per cent increase in sales volume, but this failed to offset the decline in Europe and in the domestic market.

Overall new car sales have fallen for three years in succession in Japan, while in western Europe new car sales dropped by

Clipped wings



Share price (Yen)

Source: FT Comtech

Results for Japanese airlines Year-end March

(Yen bn)

	Sales	Pre-tax	Net	Dividend	Pre-tax
1993-94	1992-93	1993-94	1992-93	1993-94	1992-93
JAL	1,033.9	-53.8	-43.7	1,008.0	1.0
ANA	774.8	2.8	-2.9	807.2	Break-even
All Nippon	806.4	15.8	2.4		

Source: Company Reports

Japan's two leading airlines yesterday announced heavy losses for the year to March, as they battled with high costs in markets increasingly open to lower-cost competition. Details, Page 18

more than 15 per cent last year. Nissan said that its group net loss reflected chiefly the drop in sales volumes in Japan and in Europe, its costly restructuring in Spain, heavy depreciation charges in Mexico, and the sharp

appreciation of the yen. The Nissan parent company announced a small net profit of ¥7.6bn (£72.8m), as a result of gains from the heavy sale of securities, and will pay a dividend of ¥7 per share.

Mr. Heichi Hamaoka, executive managing director, warned that Nissan was being forced to accelerate its restructuring and cost-cutting. Results from Japan's carmakers and paper groups, Page 22

Pay of two Warburg directors tops £1m

By John Gapper, Banking Editor

Two directors of S.G. Warburg, the UK-based investment bank, received more than £1m (£1.5m) in salary and bonuses last year, as emoluments to the bank's directors nearly doubled to £10.7m, it was disclosed yesterday.

Warburg revealed in its annual report for the year to March that one director received £1.2m and another £1.5m. In each case, more

than £600,000 came under a long-term performance-related bonus scheme.

Sir David Scholey, chairman, received £758,000 compared with £411,000 in 1992-93. Some 11 Warburg directors were paid more than the top amount of £510,000-£515,000 received by a director in the previous year.

The bank also disclosed a rapid growth in its off-balance sheet financial derivatives contracts. It held exchange rate, interest rate and equity contracts with a

notional value of £51.6bn at the year-end, compared with £23.9bn. However, the total replacement value of the contracts - the amount which it would have to provide if the other parties to all its derivatives contracts defaulted - grew only slightly to £397.4m, against £386m.

The figures, disclosed for the first time under the EC Bank Accounts directive, showed rapid growth in equity derivatives contracts, an area which it strengthened last year with the acquisition

of the Chicago firm KC-CO Investments.

Lord Cairns, Warburg's chief executive, said last week when the results were released, that it had entered derivatives "rather late in the day" and its activities in the area were still "relatively small".

Mr. Philip Gibbs, an investment banking analyst for BZW, said that the figures did not indicate much about the shape of Warburg's derivatives activities, but growth in derivatives was

encouraging because it was a profitable business.

Warburg also disclosed a fall in the proportion of pre-tax profits coming from the UK: £196.1m, or 66 per cent, of the £297m total compared with 83 per cent of £148.2m the previous year. But Warburg added that more than 60 per cent of revenues came from outside the UK last year. The proportion of profits coming from the Asia Pacific rose to 13.9 per cent, from 3.7 per cent. Accounting issues, Page 25

Barry Riley

The strange myth of the panicking small investor



Take away the liquidity of mutual funds and what do you have left? Not surprisingly the mutual fund industry has reacted negatively to the recent suggestion of Henry Kaufman that curbs should be placed on mutual fund dealing, notably a 60-day or 90-day waiting period before investors could sell their shares in stock or bond funds.

The practicalities of such a proposal are certainly suspect. The aim would be to protect the securities markets from the destabilising waves of selling by panicking small investors. Holdings of equities through mutual funds have grown from \$180bn to \$700bn since the Wall Street crash of October 1987. In theory the US stock market is that much more exposed to a wave of fund liquidation. But a mutual fund curbing might backfire.

Floes of selling orders would accumulate at investment company offices. The exact total volume might not be generally known, but the fund managers would immediately begin to build up liquidity in anticipation of the eventual redemptions. Elsewhere, traders would front-run the anticipated wave of transactions. The markets would prove to be just as volatile, but in the event of a crash mutual fund investors would be the last to get out.

So why pick on mutual fund investors? There is plenty of evidence that they are relatively stable in their behaviour, and that some kinds of institutional investor are more prone to fickle attitudes. Hedge funds are obvious examples.

It is true that anxieties are being expressed at present about the low cash positions of some US mutual funds. The more volatile and aggressive small cap funds, for example, have seen some cash outflows recently. On the other hand, managers can point to the relative steadiness of investors' nerves in past crises. In modern mutual fund history, monthly outflows have never come close to exceeding the industry's aggregate cash position (though individual funds may have encountered problems).

In the UK, too, general panic withdrawals from unit trusts are unknown. It is true that inflows

To single out mutual funds for curbs would put them at a grave disadvantage

can be very sensitive to financial conditions, notably the level of interest rates available on savings deposits, but once invested the money stays put for a relatively long time. Even in the immediate aftermath of the 1987 crash, for instance, the unit trust industry suffered net redemptions in two individual months, and on a trivial scale.

So why single out mutual fund investors for restriction? The Kaufman theory appears to be that the big expansion in holdings has reflected the participation of inexperienced investors shifting out of deposits and unaccustomed to the idea of price volatility. However, much of the

growth may reflect a tendency for households to own mutual funds rather than stocks directly - though direct personal holdings still account for 50 per cent of corporate equities in the US.

Another important trend is for investors to own mutual funds through long-term savings plans such as individual retirement accounts. At the end of last year nearly \$450bn of mutual fund holdings were tied up in various types of personal and corporate retirement plans.

Mutual funds in fact hold just 11 per cent of US equities, less than a quarter of the direct holdings of households, so to single out mutual funds for curbs would put them at a grave disadvantage. In practice, money would move into directly invested portfolios and other institutionalised accounts which escaped the trading limitations.

If there is a volatility problem with open-ended funds it may be different to the one that Henry Kaufman perceives: it is not that investors rush in a dangerous way for the exit but that they plunge into the market at the wrong time. We have just seen this in the UK, where a record for net sales was set in March.

Mutual fund sales have, of course, long been a key indicator for contrarian investors. Amateur money pushes the markets to unsustainable peaks, and the commercial reputation of the industry suffers because so many customers lured in at the top lose money quickly. Perhaps it would be better, for their own protection if investors were required to wait 90 days before putting their money in. They could safely be allowed to take it out again any time they liked.

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Lazard Brothers & Co., Limited acted as financial advisors to Mayr-Melnhof Karton AG

April 1994

INTERNATIONAL COMPANIES AND FINANCE

Japan's leading airlines held back by high costs

By Michio Nakamoto in Tokyo

Japan's two leading airlines yesterday announced heavy losses for the year to March, as they battled with high costs in markets increasingly open to lower-cost competition.

However, the results from Japan Air Lines (JAL) did offer some hope as the airline cut its net loss to ¥25.3bn (\$243m) from last year's ¥43.7bn, on sales which slipped to ¥982.3bn from ¥1,033.9bn.

Pre-tax losses fell to ¥26.1bn from ¥33.5bn. JAL forecast a modest pre-tax profit of ¥1bn for this year.

All Nippon Airways (ANA) fell into a net loss of ¥2.9bn from a profit of ¥2.4bn last year, on sales down to ¥774.8bn from ¥808.4bn. At the pre-tax level, the profit slipped to ¥2.8bn from ¥15.8bn. The

airline expects to break even this year.

Both carriers continued to experience weak demand, particularly in the first half. "International business travel demand was low, and there was a marked swing to lower fares," JAL said.

The fall in demand, as cost-conscious passengers turn to lower fare airlines and discounted tickets, demonstrates the big effort JAL and ANA need to put into reducing their high-cost structures.

Japan's airlines face restrictions by the transport ministry which must approve fare changes and it imposes stringent regulations which add to their cost base.

For JAL, cost-cutting in the parent company is almost impossible because of union resistance. The airline plans to

reduce its workforce by more than 4,000 people in four years, has expanded its voluntary retirement scheme, and has launched a frequent-flyer programme and lower-fare routes. It is shifting a greater proportion of costs outside Japan. Some maintenance is being moved to China, and the company is hiring more than 800 Thai flight attendants over the next four years and more than 200 non-Japanese pilots.

JAL is introducing a tourist flight to Hawaii. This is one of the most popular destinations of Japanese travellers but it must compete with low-cost US carriers. ANA, meanwhile, plans to cut its workforce by 10 per cent in the next two years, and it has suspended some unprofitable routes.

Japanese carmakers and pulp and paper companies, Page 32

Skanska predicts profits increase

By Christopher Brown-Humes

Skanska, the Swedish construction and real estate group, yesterday predicted higher profits for 1994 and said it planned to increase its international operations.

Mr Melker Schörling, chief executive, said the company's pre-tax profit in 1994 should be higher than the SKr1.18bn (\$149.4m) level achieved last year.

This was in spite of strong pressure on margins caused by the depressed Swedish construction market.

The group plans to continue international expansion to reduce dependence on Sweden.

"Our aim is to continue sharply increasing our international business until it accounts for 35 per cent to 40 per cent of group revenues," said Mr Schörling.

"By continuing our internationalisation, we will reduce Skanska's exposure to fluctuations in the Swedish construction market, while taking advantage of the growth potential that exists in many foreign markets."

Last year, non-Swedish business accounted for 23 per cent of group sales of SKr28.9bn.

While in 1992 it amounted to 14 per cent of sales of SKr31.9bn. The company, Scandinavia's highest construction group, operates in more than 30 countries and has 25 per cent of its employees working outside Sweden.

Skanska plans to restructure its real estate operations.

Bastion of discretion speaks out

Mediobanca has reacted angrily to allegations, writes Andrew Hill

Not much moves Mediobanca, the powerful Milan merchant bank, to make a public statement. In a financial community which looks like a pasta-chef's colander, Mediobanca is a bastion of discretion, opening up only twice a year to emit an elegantly printed annual and half-year report.

However, on Monday evening Mediobanca came as near as it has ever done to losing its temper in public. The trigger was the formal decision by the board of directors to warn four top Mediobanca executives - including its 86-year-old honorary chairman, Mr Enrico Cuccia - that they are under investigation for allegedly conspiring last year to falsify the accounts of the Ferruzzi-Montedison industrial group.

In an uncharacteristically angry statement, the bank expressed its "bitterness" that it was being "criminalised" for its efforts to save Italy's second-largest industrial group from disaster. In particular, it said the magistrates' decision was based on "elements which seem to have been deliberately supplied by some of those who bear the greatest responsibility for that disaster."

The magistrates' decision has electrified the Italian media. This is not because it was particularly momentous. It is a formal move which is far from implying any guilt on Mediobanca's part, and the allegations are mainly based on a supposed technical lapse by the bank.

But Mediobanca has an influence over the Italian financial and corporate community far greater than that of any other merchant bank in any other developed market. Mr Cuccia has cultivated clients which



Carlo Sama: Mediobanca knew more than it is letting on



Enrico Cuccia: has built up a powerful network of clients

include all of Italy's most powerful industrial and financial groups. The network is so close that many of these groups, together with former state-owned banks, are part of the shareholder syndicate that controls Mediobanca.

Under the circumstances, the restructuring of Ferruzzi-Montedison was a deal which could only have been worked out by Mr Cuccia and his team.

This is the first time the bank has been caught up in the corruption scandals, in which the old Ferruzzi-Montedison group seems to have been a central player. But questions were already being raised about Mediobanca's role in the new Italy. The bank has come under attack for trying to extend its influence over the banks and industrial companies being privatised.

The magistrates' investigation centres on how much Mediobanca knew about Ferruzzi-Montedison's L435bn (\$257m) of undeclared bad debts in offshore companies. It was aware of this hole in the 1992 accounts, then under Ital-

ian law it had an obligation to declare its knowledge, or face criminal charges of "false communication".

The old board of Ferruzzi-Montedison approved the 1992 accounts at a meeting on May 23. Mediobanca was given the mandate for a restructuring of the group on June 4 and the accounts were deposited with the regulatory authorities on June 12. Shareholders only learnt about the hole at their assembly on June 23. Mediobanca says it has submitted "incontrovertible" evidence to the Ravenna prosecutor that it had neither the power nor the duty to vet the accounts.

The most prominent dissembler from this view is Mr Carlo Sama, the former chief executive of Ferruzzi-Montedison who is facing corruption allegations. He claims that Mediobanca knew more than it is letting on. In a television interview on Monday night, he went further, claiming Mediobanca had "taken away our property and our honour" in an attempt to

gain control of a large chunk of Italy's industrial economy. Mr Sama believes the merchant bank deliberately scrapped an alternative plan for the restructuring of Ferruzzi, prepared by the directors.

The new board of Montedison issued a statement yesterday deploring the fact that ex-directors - "responsible for having led the group to disaster with a legacy of 1,31,000bn of debts" - were trying to undermine the credibility of their replacements, struggling to put in place Mediobanca's rescue plan. Mr Gianni Agnelli, the Fiat chairman who is probably Mr Cuccia's closest ally, described the magistrates' decision as "a serious matter and an annoying obstacle" at a moment when Italy needed all the instruments at its disposal "to revitalise its industrial groups and expand".

Mediobanca's rivals believe the move could have positive repercussions for a financial system notable for its lack of transparency. This would be welcome at a time when there is intense scrutiny of the possible conflict of interest between Mr Silvio Berlusconi's role as prime minister and as owner of one of Italy's largest private companies.

Market reaction suggests the reputation of the bank has only been dented by the Ferruzzi-Montedison affair. Shares in Mediobanca, which had fallen nearly 20 per cent ahead of Monday's decision, yesterday recovered slightly.

Mr Cuccia is likely to be happier about this than yesterday's show of support from many of his allies. Mediobanca is preparing for a L1,500bn rights issue which could have been put in jeopardy by a continued fall in its share price.

AssiDomän reports 65% rise

By Christopher Brown-Humes in Stockholm

AssiDomän, the newly-formed Swedish forestry group, yesterday announced a 65 per cent increase in first-quarter profits and increased its forecast for the full year.

Profits after financial items rose to SKr344m (\$43.5m) from SKr208m after a 4 per cent increase in sales to SKr3.86bn.

The company, which was partially privatised in March, predicts full-year profits of more than SKr1.5bn due to increased efficiency and the improving outlook for the pulp

and paper industry. Last year profits were SKr976m.

The Swedish government sold off a 49 per cent stake in AssiDomän in March, raising SKr7.6bn in Sweden's biggest privatisation to date.

The privatisation followed the merger of two state-owned forestry groups, Assi and Domän, at the start of the year. A third company, NCB, which was majority state-owned, is being merged with the group and has been consolidated from the start of the year.

The first-quarter performance showed the benefits of stronger operating results from

Skog & Trä, which lifted profits to SKr311m from SKr223m, while Kraft Products achieved a SKr11m profit after a SKr26m loss. The group raised overall operating profits to SKr390m from SKr286m, despite falling profits in the carton and packaging divisions.

Financial outlays fell to SKr46m from SKr77m due to lower interest rates and a reduced net debt. NCB made a SKr24m profit from a SKr41m loss.

AssiDomän's shares closed yesterday at SKr162. Individuals paid SKr138 a share at privatisation.

De La Rue rises 24% to £129.8m

De La Rue, the UK security printer and cash-handling machine group, yesterday reported a 24 per cent increase in pre-tax profits buoyed by strong banknote sales, writes Paul Taylor in London.

The group reported pre-tax profits of £129.8m (\$196.2m) in the year to March 31, up from £104.7m the previous year. Turnover rose 7 per cent to £586.6m.

Lex, Page 18

Austrian building group advances

By Ian Rodger in Zurich

Maculan, the Austrian building group with significant interests in eastern Germany, reported an 11.6 per cent rise in 1993 net income to Sch250m (\$179.3m) on turnover up 19 per cent to Sch13.9bn.

The group said business growth had been strongest in Austria, due to buoyant residential construction, and in eastern Germany, partly due to the first-time consolidation of

90 per cent owned TB Tief-und Verkehrsbau Berlin.

Turnover in the former Soviet Union fell by about a third. Maculan has filed a *forse majeure* claim with the German government over a Sch1.9bn contract for a Russian military housing project financed by Bonn.

The project has been delayed by spiralling costs due to inflation and the declining value of the rouble.

The group, which has grown

rapidly in the past five years, said its primary focus in the current year would be "consolidation and optimisation of existing activities". Still, it expected both turnover and earnings to grow by about 10 per cent.

Orders on hand at March 31 were 10 per cent lower at Sch9.4bn because of the removal of the Russian contract.

Current orders represent eight months' work.

Volvo Bus buys into Danish coachbuilder

By Hugh Carnegie in Stockholm

Volvo, the Swedish motor vehicle manufacturer, plans to take over a Danish operation making bodies for Volvo buses from the troubled German Kässbohrer Group.

Under an agreement signed with Kässbohrer, Volvo Bus

will take over all the activities of Aabenraa Karosserifabrik, the German company's Danish subsidiary, related to the production and marketing of bodies for Volvo bus chassis.

Neither company disclosed the value of the deal, which is due to be completed by the end of this month.

Aabenraa builds about 125

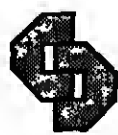
Volvo buses a year for sale mainly in the Danish market.

It produces about 50 buses for Kässbohrer, but Volvo will not acquire those activities, Volvo says. It will, however, take on a majority of Aabenraa's 220 employees and has plans to incorporate the operation as a Danish Volvo subsidiary.

Volvo embarked on a strategy to concentrate on car, truck and bus manufacturing following the collapse of its previous plans to merge with France's Renault.

Volvo has wholly-owned bus body-building operations in Sweden and Austria, as well as a joint venture in China.

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But financially, the acquisition could burn you. A tumble in the stock market where your acquisition's shares trade could turn your shiny new asset into a stinging liability.

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ES 400

GS 300

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Because here's a Lexus (so it must be luxurious) designed by Giorgetto Giugiaro, the man behind some of the world's most exciting cars.

It's the Lexus GS300. To use Motor Trend's words, "a luxury car with style,

stamina and a solid dash of enthusiasm." There's the description.

Here's the proof. First the luxury half of the equation. How well equipped is the Lexus GS300?

Air conditioning? Yes. Six-way electronic seat adjustment? Of course. Seven speaker stereo with CD? Naturally. And for complete tranquillity just turn it off. The Lexus is as quiet a car as you'll find.

But enough about comfort for the moment. There's the driving to consider. At your right foot, 212HP (156kW.) An

output few other six cylinder, three litre engines even match. Beneath both feet, stabiliser bars check body roll. (Specially sculptured seats check the other kind of body roll, incidentally.)

Double wishbone suspension keeps the wheels perpendicular to the road (should the urge to test the laws of physics get the better of you).

Why not see your Lexus dealer about the GS300? You'll soon realise that being driven by ambition doesn't exclude you from having the ambition to drive.



Lexus GS300.

The new Lexus. What the driven will want to drive.

End of Month S.G. Warburg Warrant Valuations

as at 31st May, 1994

Single Stocks	TYPE	CURRENCY	SPOT	STRIKE	PRICE	EXPIRY
BHP	Call	AUD	18.29	19.50	1.49	29th Jun 95
Dao Heng Bank	Call	HKD	24.10	32.00	0.53	25th Jan 96
Hong Kong Electric	Call	HKD	24.10	29.20	0.62	6th Feb 96
Hutchison Whampoa	Call	HKD	33.80	36.00	1.05	21st Dec 95
Hysan Development	Call	HKD	23.40	17.00	8.50	6th Sep 95
Philips Electronics	Call	NLG	51.30	54.18	6.82	8th Sep 95
Saipem	Capped Call	ITL	3923	4246	442	30th Mar 95
Sip	Call	ITL	4293	3832	1105	14th Jan 96
Stet	Call	ITL	4725	4725	1314	14th Sep 95
Baskets						
European Airlines 1	Call	£	438	320	12.77	3rd Feb 95
European Airlines 2	Call	£	438	468.91	6.96	9th Mar 96
European Multi-Media 1	Call	£	2109	2028.57	2.43	28th Sep 95
European Multi-Media 2	Call	£	2109	2475	1.42	28th Sep 95
European Steels	Call	DM	36.52	25.50	1.18	28th Jan 95
UK Banks	Call	£	90	114.75	0.23	1st Jun 95
UK Food Retailers	Call	£	94.20	106.25	0.93	9th Nov 95
UK Pharmaceuticals 1	Call	£	85	98.05	0.24	26th Jan 95
UK Pharmaceuticals 2	Call	£	85	87.50	1.07	20th Nov 95
UK Support Services	Call	£	82	107.50	0.23	2nd Aug 95
UK Water Companies	Call	£	88	104.75	0.18	5th May 95
Italian Industrials 1	Call	ITL	21855	19665	562	31st Aug 95
Italian Industrials 2	Call	ITL	21855	24549	207	31st Aug 95
Italian Recommendation	Call	ITL	409761	489229	609	13th Oct 95
Swedish Capital Goods	Call	SEK	107530	112054	18.18	20th Oct 95
Indo-China	Call	USD	0.96	1.00	0.14	8th Dec 95
Indices						
FTSE Mid-250 Index	Call	£	3564	2900	6.98	17th Mar 95
FTSE Mid-250 Index	Call	£	3564	3470	2.80	17th Mar 95
FTSE Mid-250 Index	Call	£	3564	3670	1.80	17th Mar 95
FTSE Mid-250 Index	Call	£	3564	3900	1.02	17th Mar 95
FTSE Mid-250 Index	Call	£	3564	3945	2.21	17th Jan 96
FTSE Mid-250 Index	Put	£	3564	2900	0.05	17th Mar 95
FTSE Mid-250 Index	Put	£	3564	3470	1.91	17th Mar 95
FTSE Mid-250 Index	Put	£	3564	3270	1.13	17th Mar 95
FTSE Mid-250 Index	Put	£	3564	3900	4.41	17th Mar 95
South Africa						
JSE Overall Index	Call	Rand	5875	\$1166	\$19.75	15th Mar 95
JSE Overall Index	Call	Rand	5875	\$1345	\$13.45	15th Mar 95
JSE Overall Index	Put	Rand	5875	\$1166	\$18.15	15th Mar 95
JSE Industrial Index	Call	Rand	6579	\$1364	\$30.35	15th Mar 95
JSE Industrial Index	Call	Rand	6579	\$1569	\$22.30	15th Mar 95
JSE Industrial Index	Put	Rand	6579	\$1364	\$20.85	15th Mar 95
Relative Performance						
Volvo/OMX	Call	SEK	+34.62%	-10%	467.20	23rd Feb 95
Volvo/OMX	Call	SEK	+34.62%	+0%	390.30	23rd Feb 95
Volvo/OMX	Call	SEK	+34.62%	+10%	320.70	23rd Feb 95

S.G. Warburg

S.G. Warburg Global
Equity Derivatives

For information contact Justin Chittenden on 071-846 0517 Reuters Page 3466

This announcement appears as a matter of record only.



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BALLAST NEDAM N.V.
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ING BANK

May 1994

US\$ 20,000,000
MACQUARIE BANK
LIMITED
Subordinated Floating
Rate Notes due 2000

Interest Rate 5.60% p.a.
Interest Period 31st May, 94
30th November, 94
Interest Amount due on
30th November, 1994 per
US\$ 1,000 US\$ 28.47
US\$ 10,000 US\$ 284.67

BANQUE GÉNÉRALE
DU LUXEMBOURG
Agent Bank

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FRF 450,000,000 FLOATING RATE NOTES 1987-1997

In accordance with the provisions of the Notes, notice is hereby given
that the rate for the period from May 31, 1994 to August 31, 1994 has
been fixed at 5.875% per annum.

On August 31, 1994 interest of FRF 150.14 per FRF 10,000 nominal
amount of the Notes, and interest of FRF 1,501.39 per FRF 100,000
nominal amount of the Notes will be due against coupon no. 28.

Notices to holders, including notices relating to the quarterly
determination of interest rates, will be published only in "L'Agence
Economique et Financière" (Paris) and in "The Financial Times"
(London).

Fiscal Agent
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A LUXEMBOURG

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For a full editorial synopsis and details of available advertisement
positions, please contact:

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INTERNATIONAL COMPANIES AND FINANCE

Dismal year for Japan's carmakers

By Michio Nakamoto
in Tokyo

Last spring, as
Japan's car-
makers looked
ahead to pro-
spects for the
year, the con-
sensus was that at best they
might hope for some relief
from the downturn in the Japa-
nese economy.

A year later, even that cau-
tious assessment appears san-
guine, as one carmaker after
another has announced dismal
results for the year to last
March.

Nissan, Japan's second-
largest carmaker, yesterday
became the latest in the indus-
try to report a substantial dete-
rioration in its annual perfor-
mance.

The results come amid per-
sistent weakness in the domes-
tic market and a 14 per cent
rise in the yen's value against
the dollar.

Nissan, which reported a
consolidated net loss of
¥86.9bn (¥832m), compared
with ¥55.9bn a year ago, was
joined in its plight by Mazda
and Mitsubishi Motors.

Both Mazda and Mitsubishi
last week reported sharp falls
in sales. Mazda saw its first
loss in 19 years and has been
forced to pass its dividend for
the first time since it was
listed.

Mitsubishi had previously
enjoyed buoyant sales on the
strength of the popularity in
Japan of its range of sports
utility and multipurpose
vehicles.

However, the company expe-
rienced a setback last year as
competition in those sectors
increased.

Fuji Heavy, which produces
Subaru cars, likewise fell into
loss and passed its dividend.

However, Daihatsu, which
specialises in small cars and

Financial results, year to March (¥ bn)						
Company	Parent sales	Parent pre-tax	Parent net	Consolidated sales	Consolidated pre-tax	Consolidated net
Nissan 1993-94	3,583.5	4.1	7.6	5,800.9	-202.4	-86.9
1992-93	3,896.9	-26.3	-15.1	6,197.6	-108.1	-55.9
Mazda 1993-94	1,788.7	-44.1	-44.2			
1992-93	2,191.3	6.2	2.8			
Mitsubishi 1993-94	2,455.9	35.4	15.9	2,948.9	21.3	5.6
1992-93	2,615.9	46.6	20.2	3,180.4	50.2	25.8
Fuji Heavy 1993-94	783.9	-28.1	20.7			
1992-93	873.0	0.1	-6.1			
Daihatsu 1993-94	730.8	2.4	5.5			
1992-93	784.8	-4.4	-3.6			

Source: Company reports

commercial vehicles, returned
to the black largely as a result
of cost-cutting.

The carmakers' difficulties
last year are largely attributed
to two factors which have
plagued the industry recently:
weak markets in Japan and
Europe, and the appreciation
of the yen.

The poor state of the Japa-
nese market is reflected in fig-
ures published by the Japan
Automobile Manufacturers'
Association.

The Japanese car market suf-
fered a fall in demand in the
fiscal year to March 1994 - its
third consecutive annual
decline.

According to JAMA, domes-
tic demand fell by 7 per cent to
6.4m units, while vehicle pro-
duction in Japan also dropped
for the third consecutive year
by 12 per cent to 10.6m units -
the largest annual fall since
1989.

The situation was hardly
much better outside Japan.
Exports for the year are esti-
mated to have fallen by 18 per
cent, although part of this
reflects a greater shift of pro-
duction overseas.

These adverse market trends
have been particularly damag-
ing for Nissan and Mazda,
which have accumulated sig-
nificant losses and face an
uphill battle to recovery.

Both companies made ambi-
tious investments at home as
the domestic market went into
reverse.

Nissan built a state-of-the-art
factory in southern Japan and
aggressively expanded its
model range.

Mr Andrew Blair-Smith,
industry analyst at BZW, says
that while Nissan has a wide
model range, it has not had
the productivity levels of
Toyota.

Although it is difficult to
estimate capacity utilisation
from available figures, Mr
Blair-Smith believes Nissan's
rate is 64 per cent, compared
with 82 per cent for Toyota.

Meanwhile, Mazda also
opened a new factory in 1992
and built up a network of five
distribution channels.

Mazda is operating at an
average capacity utilisation
ratio of 80 per cent, compared
with 120 per cent at the peak of
the boom years, the company
said.

Nissan and Mazda have also
been particularly hard hit by
the slump in European
markets.

Nissan experienced a 30 per
cent drop in unit export sales,
which it attributed to sluggish
demand in Europe.

The fall in demand in Spain,
together with the sharp depre-
ciation of the peseta against

the yen, has meant that losses
at its Spanish subsidiary, Nis-
san Motor Iberica, and the
restructuring programme
there, have been significant
factors behind Nissan's consoli-
dated losses.

Mazda, meanwhile, has seen
shipments to overseas markets
slump by 23 per cent.

The carmakers are stepping
up their cost-cutting measures
through greater use of
common car parts, a reduction
of car models and labour
cuts.

For example, Mazda will not
take on any new workers next
spring, a sharp reversal from
its peak years when it took on
3,000 employees. Capital spend-
ing is being reduced to ¥30bn
compared with ¥51bn last
year.

It is possible that these
efforts, supported by a mild
recovery in the Japanese car
market this year, will enable
the beleaguered carmakers to
achieve a modest improvement
in performance without taking
restructuring much further
than planned.

But if the Japanese market
fails to take off strongly, sig-
nificant improvements in profits
may call for another round of
aggressive cost-cutting that
might include further reduc-
tions in capacity.

Weak demand and higher yen
take toll on paper groupsBy William Dawkins
in Tokyo

The annual
results of
Japan's paper
and pulp com-
panies provide
a vivid illus-
tration of the competitive
pressures on the country's materi-
als manufacturing industries.

Last year's rise in the yen
has pushed paper makers'
international costs above those
of producers in neighbouring
south-east Asia, resulting in
loss of market share at home
and abroad.

Persistently weak demand,
meanwhile, has driven down
prices in yen terms faster than
costs. As a result, the two large-
est paper producers, New Oji
Paper and Nippon Paper,

reported declining profits,
while the number three, Daisho-
wa, made a record loss, more
than double the previous year.

That was far bigger than
expected, because of Daisho-
wa's inability to sell assets as
fast as planned, to reduce its
¥434.7bn (¥416bn) debt, a con-

Financial results, year to March 1994 (¥ bn)				
Company	Sales Change (%)	Pre-tax	Change (%)	
New Oji Paper	673.18	+7.27	12.23	+6.0
Nippon Paper	626.73	-3.9	0.51	-16.0
Daishowa Paper	275.09	-11.5	-26.44	loss + 141.0
Mitsubishi Paper Mills	172.26	-7.7	2.4	+0.4

Source: Company reports

sequence of over-investment
in new capacity in the late
1980s.

Two creditor banks and a
corporate shareholder are to
install three executives at
Daishowa to help reduce its
debts.

This ends one of the tough-
est years in Daishowa's
history, following last Novem-
ber's arrest of its former presi-
dent, Mr Ryoei Saito, on bribe-
ry charges.

The only leading paper
group to produce a slight prof-
it gain last year, Mitsubishi
Paper Mills, managed to do so
by selling securities, a common
technique used by industrial
companies to tide their pub-
lished results through hard
times. Excluding a ¥5.3bn capital
gain on securities sales,

Mitsubishi Paper would have
made a ¥2.9bn loss, said Mr
Toshihide Kobayashi, manag-
ing director. The group fore-
casts a 16.8 per cent earnings
decline on stagnant sales in
the current year.

So far, the paper industry
has managed to avoid heavy
job losses and has sought
instead to reduce costs through
mergers.

New Oji resulted from a
merger last October between
Oji Paper and Kanzaki Paper.
Nippon Paper was created six
months earlier by Oji Paper
and Sanyo-Kokusaku Pulp.
Two others, Honshu Paper and
Tabasaki Paper, have stopped
short of a full merger, but
announced in January that
they are to pool distribution
and purchasing.

Bangkok Land profits disappoint

By William Barnes
in Bangkok

Bangkok Land, Thailand's
biggest property company
which is controlled by the
Sino-Thai Kanjanapas family,

reported a disappointing 3 per
cent rise in consolidated net
profits to Bt5.028bn (Bt99m)
for the year to end-March.

Profits fell to Bt763m in the
last quarter from Bt1.354bn in
the third quarter.

Sales for the year are likely

to be down by some 30 per cent
to around Bt11.5bn, compared
with Bt16.8bn in 1993, accord-
ing to Bangkok property ana-
lysts. Earnings per share rose
to Bt8.38 from Bt8.11.

"Either Land was struggling
in the last quarter or it was
saving profits to buttress next
year's profits, when new
accounting rules could squeeze
the profits of many property
companies," said Mr Neil Sam-
ple, research manager at HG
Asia in Bangkok.

The new accounting rules
will force property companies
to set aside 20 per cent before
they start to book profits. The
previous requirement was 10
per cent.

Tanayong, Bangkok Land's
sister company, which is also
controlled by the Kanjanapas
family, reported a 31 per cent
fall in unconsolidated net
profit to Bt434.4m for the year,
compared with the previous
year's Bt474.4m. Like Land, it
has suffered from slow sales.

NEWS DIGEST

Trust Bank
ahead of
forecasts

Trust Bank, New Zealand's
fifth-largest and only locally-
owned national bank, yester-
day reported a 17 per cent
increase in after-tax profit to
NZ\$72.8m (US\$42.8m) for the
year ended March 31, writes
Terry Hall in Wellington.

The company was listed on
the New Zealand stock
exchange in March, and the
result was NZ\$6m better than
prospective forecasts. It came
after writing off share issue
expenses of NZ\$7.5m and a
gain of NZ\$2.9m from property
revaluations.

The charge for bad and
doubtful debts fell to NZ\$1.4m
from NZ\$2.8m. Shareholders'
funds rose to NZ\$467m from
NZ\$311m.

Trust Bank is New Zealand's
largest lender to the home
mortgage market, but is seek-
ing to expand into commercial

and rural lending. Lending on
home mortgages was up 6 per
cent to NZ\$4.4bn, to the com-
mercial sector by 17 per cent to
NZ\$1.1bn, and to the rural sec-
tor by 30 per cent to NZ\$577m.

Shiseido ahead at
pre-tax level

Shiseido, the leading Japanese
cosmetics maker, reported that
non-consolidated pre-tax prof-
its for the year to March rose
0.1 per cent to ¥33.4bn
(¥308.75m), writes Emiko Tera-
zono in Tokyo. It suffered a 2.3
per cent decline in sales to
¥391.1bn. For the year to next
March, the company expects
pre-tax profits flat at ¥33.5bn,
on a 1 per cent rise in sales to
¥395bn.

San Miguel unit
in HK site deal

San Miguel, the Philippines'
largest industrial enterprise,
announced that its Hong Kong
beer subsidiary, San Miguel
Brewery, had sold its plant site
for HK\$3.5bn (US\$453m), writes
Jose Galang in Manila.

The sale translates into an
extraordinary profit for the
parent company of about
US\$253m, equivalent to one
and a half times its profits for
the whole of 1993.

The sale is part of the Hong
Kong subsidiary's move to a
bigger location for its plan to
expand production to penetrate
the beer market in mainland
China. The new plant is expect-
ed to be completed at a cost of
\$109m, the Manila-based parent
company said.

Pirelli Cables
Australia listed

armaker

Germany leads decline in European prices

By Conrad Middelmann
in London and Frank
McQuerry in New York

Haunted by continued fears of
resurgent inflation, European
government bonds took
another dive yesterday.

Germany again led the
decline but outperformed the
rest of Europe on the basis of
its perceived "safe-haven" status.
Neighbouring markets
yield spreads over bunds widened
further and several long-
dated bond futures contracts
hit new lows for the year.

Although traders cited a
number of reasons for the
slide, "what is behind the
declines is that there are just
no end-investors willing to buy
here," said Mr Mike Gallagher,
director of economic research
at IDEA.

Although bonds could stage
brief corrections near-term,
"the market won't find a sus-

tainable bottom until investors
come in at bargain-basement
levels," he said.

German bonds slumped early
in the day when the June bund
futures contract breached key
technical support at 93.30.
Shortly thereafter, the Bundes-
bank announced that a widely-
expected issue of long-dated
bonds would not take place
because of the government's
good cash position. This gave
the bund future a brief lull,
but it soon resumed its slide,
falling as low as 92.82.

While the removal of fresh
supply offered some relief,
many dealers were disap-
pointed by the cancellation of
the bund.

UK gilts were one of the
day's worst casualties, sliding
on data showing M0 money
supply rising by a provisionally
adjusted 7.1 per cent in the
year to end-May.

"People fear the worst - they
have no confidence inflation
can stay low because this
country has one of the worst
track records," said Mr Iffy
Islam, international strategist
at Merrill Lynch. "It may take
months of subdued RPI num-
bers to show that inflation is
not going out of control."

**GOVERNMENT
BONDS**

Talk that today's UK pur-
chasing managers' survey for
May would show a rise in pro-
ducer prices put further pres-
sure on prices. The long gilt
futures contract fell 1 1/2 to
100 1/2.

"If it goes through 100,
there's very little support until
98," said Mr Mark Reckless, UK
economist at SG Warburg
Securities. The UK 10-year
yield spread over Germany

widened to 185 basis points,
from 175 points on Friday.

French bonds followed
bunds lower, but were also
weighed down by the prospect
of some FF20bn of new bonds
on Thursday. "There's no one
around to absorb that supply,"
said one dealer. The notional
June future on Matif fell by
1.00 point to 117.72.

The Italian market was also
dogged by supply, having to
absorb L3,500bn in new 10 and
30-year bonds, where the yield
rose sharply from the previous
auctions. The June BTPT future
ended around 108.17, down 1.25
points.

Danish and Swedish bonds
were hammered by heavy for-
eign selling, dealers said. Den-
mark is weighed down by in-
flation worries amid a strong
economic recovery, and both
are clouded by election fears.

The Danish yield spread over
Germany widened to 113 from
89 basis points last Friday; the
Swedish yield gap widened to
243 from 208 basis points.

US Treasury bonds retreated
yesterday on a bearish tone set
in ahead of this week's crucial
economic data.

By midday, the benchmark
30-year government bond was
1/4 lower at 85 1/2, with the yield
rising to 7.45 per cent. At the
short end, the two-year note
was down 1/4 at 92 1/2, to yield
6.025 per cent.

The morning brought a bar-
rage of economic news, most of
which pointed to slower
growth, a favourable develop-
ment for inflation-sensitive
bonds.

However, US Treasury prices
were lower across the board in
light activity, hit by fresh
strength in commodity and
gold prices and the continued

weakness of European govern-
ment bonds.

Among the day's economic
reports, the Commerce Board,
an industry trade group, said
consumer confidence had
ebbed in May, after growing in
the previous two months.

Meanwhile, the Commerce
Department reported personal
income in April had risen 0.4
per cent, in line with expecta-
tions, while personal spending
had dipped 0.1 per cent, against
forecasts of no change. April
new homes sales showed a 6.8
per cent decline from March.

No single item of data had
much impact, although traders
were unsettled by the monthly
survey of Chicago's purchasing
managers.

This month, the regional
index of business activity
showed a slight drop from
April, but the index of prices
paid by purchasing managers
jumped from 58.8 to 63.6.

OM to concentrate on core activities

By Hugh Carnegie
in Stockholm

OM Group, a Swedish company
which runs derivatives
exchanges in Stockholm and
London, is selling its financing
businesses and dropping plans
to participate in founding a
new Swedish bank in order to
concentrate on core exchange
and clearing operations.

OM, operator of the OM
Stockholm exchange and the
OMLX exchange in London,
said the surprise decision to
restructure was prompted by
the dramatic recent growth in
volume of derivatives traded.

"We can see steady growth
in the exchange and clearing
business for derivatives, not
least in London. With all the
discussion going on about the
risks, we think the demand for
centralised clearing will grow,"
Mr Olof Stenhammar, OM's
founder and chief executive,
told the Financial Times.

He said that the combined
daily volumes at OM Stock-
holm and the OMLX had
jumped from 97,000 contracts
in December to 135,000 con-
tracts in May, with the daily
value of clearing operations
rising from SKr50bn to
SKr70bn in the same period.

OM Group, founded in the
mid-1980s, is listed on the
Stockholm Stock Exchange. Its
biggest shareholder is the pow-
erful Wallenberg family, which
holds a 21 per cent stake.

Mr Stenhammar, who
remains under investigation by
the country's state prosecutor
for insider trading allegations,
which he strongly denies, owns
7 per cent.

OM had intended to extend
its interests in finance activi-
ties to founding a bank called
Tre Kronor Bank in a joint
project with a state pension
fund and AFS, a financial ser-
vices arm of Asea Brown
Bovori, the Swiss-Swedish
engineering giant. But Mr
Stenhammar said this no longer
fitted with group strategy.

OM said the sale of its OM
Finans division, which it hopes
to complete by the end of this
year, would increase its equity
to assets ratio to around 70 per
cent from 54 per cent at present.

AFS and the pension fund
issued a joint statement saying
the Tre Kronor Bank project
would no longer go ahead,
despite initial approval from
the banking authorities.

OMLX is to launch today
FLEX futures and options on
the OMLX index, the FTSE-100
index and on 23 Swedish
stocks, writes Conrad Middel-
mann.

OMLX is the first London-
based exchange to launch
FLEX instruments, which are
tailored to suit individual
investors' needs while being
traded and cleared through a
recognised investment
exchange.

Focus remains on the short end with issues worth \$800m

By Peter John

The short end of the euro-dollar
sector remained in focus yester-
day with the launch of four
issues worth a total of \$800m.
They followed the successful
short-dated offering last week
by AT&T.

Dealers said yesterday's
deals provided the issuers with
good opportunities to swap
into other currencies and
appealed in particular to Swiss
retail investors who were over-
weight in the US currency.

"It's an arbitrage play and as
long as swap spreads remain at
these levels, this part of the
yield curve will remain attrac-
tive," said one dealer.

The best reception was given
to the \$250m offering of three-
year paper by Australia's
Export Finance and Insurance
Corp (EFIC). Traders said the
yield spread of 30 basis points

above the equivalent Treas-
uries was a reasonable reflec-
tion of the group's double-A
rating, although some
suggested that the name was
not sufficiently well-known to
attract substantial demand.

**INTERNATIONAL
BONDS**

ABB Finance raised \$300m of
debt with a similar maturity
and coupon as Eric and book-
runner Goldman Sachs priced
it to yield 16 basis points over
Treasuries. It was also targeted
at Swiss investors but rivals
claimed it was priced too
aggressively and the electrical
engineering group did not have
the appeal of big US and Jap-
anese corporate names such as
Toyota, GECC and AT&T.

The \$200m three-year issue
from Landesbank Schleswig

Holstein, priced to yield 20
basis points over Treasuries,
was also treated with some
scepticism. But BZW, which
lead-managed the issue, said
the pricing was sufficiently
generous, considering that the
yield on AT&T's deal was now
five basis points below Treas-
uries. It added that although
the spread had widened to 23
basis points, LB Schleswig Hol-
stein was the most highly-
rated of the day's three biggest
dollar issuers.

Finally, the Council of
Europe offered \$150m of two-
year bonds and Rabobank
Nederland offered \$100m of
three-year debt.

There was also a flurry of
yen-denominated issues yester-
day with Mitsubishi Estate,
the property arm of the Jap-
anese trading group, topping the
list with an offering of ¥35m of
six-year debt and ¥20bn of

eight-year paper. Both issues
were targeted at Japanese
institutions.

In Japan, Mitsubishi Cor-
poration, the country's biggest
trading house, raised ¥200bn
in five-year bonds, the largest

domestic bond issue of its kind,
writes Robert Patton in Tokyo.

The issue topped the previ-
ous record, a ¥150bn issue by
Tokyo Electric Power, and will
give a boost to Japan's fledg-
ling corporate bond market

which has been struggling to
free itself from regulation.

Over the past year, the mar-
ket has been opened to a wider
range of issuers and restric-
tions on floating-rate notes
have been lifted.

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book number		
Barrow	250	6.50	99.65	Jul 1997	0.1875	+20	(5/4)-107	IBJ	International
Export Fin. & Insurance Corp.	250	6.50	99.65	Jul 1997	0.2000	+18	(5/4)-107	Goldman Sachs	Intl
ABB Finance	300	6.50	99.65	Jul 1997	0.2250	+20	(5/4)-107	Morgan Stanley	Intl
LB Schleswig-Holstein	200	6.00	99.65	Jun 1996	unfixed	+8	(5/4)-108	IBJ	Intl
Council of Europe	150	6.00	99.65	Jun 1996	unfixed	+8	(5/4)-108	IBJ	Intl
YEN									
Mitsubishi Estate Co (J)	350	3.85	100.25	Sep 2000	0.30R	-	-	Nikko	Europe
Mitsubishi Estate Co (J)	200	4.00	100.25	Sep 2000	0.30R	-	-	Nikko	Europe
Mitsubishi Estate Co (J)	200	4.00	100.25	Sep 2000	0.30R	-	-	Nikko	Europe
Mitsubishi Estate Co (J)	200	4.00	100.25	Sep 2000	0.30R	-	-	Nikko	Europe
Mitsubishi Estate Co (J)	200	4.00	100.25	Sep 2000	0.30R	-	-	Nikko	Europe
STERLING									
Abbey Nat Treasury Services	100	(f)	100.00R	Jun 1996	0.125R	-	-	SG Warburg	Securities
CANADIAN DOLLARS									
Abbey Nat Treasury Services	100	8.00	99.65	Jun 1997	0.125R	+10	(f)	Dahm	Europe

First terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. Floating rate notes: R fixed rate notes; L fixed rate notes; S short term coupon; 3-month Libor +1/4% for 1st 3 mths; 6-month Libor +1/4% for 2nd 3 mths; 9-month Libor +1/4% for 3rd 3 mths; 12-month Libor +1/4% for 4th 3 mths.

Warsaw bourse in the black

The Warsaw Stock Exchange
made a net profit of 171bn zlotys
in 1993, the exchange's first
profit since it was created in
1990, Reuters reports from War-
saw.

Mr Wieslaw Rozinski, bourse
president, told a meeting of
shareholders that in three
years the bourse has paid back

108bn zlotys of a start-up credit
from the treasury.

The exchange wants to add
an extra trading session to the
three sessions per week held
currently, the bourse said.

Trading presently takes
place on Monday, Tuesday and
Thursday of each week. The
main market lists 23 shares.

WORLD BOND PRICES									
BENCHMARK GOVERNMENT BONDS									
Coupon	Red	Price	Day's	Yield	Week	Month			
	date		change		ago	ago			
Australia	0.000	08/04	102.2800	-0.88	8.88	8.75			
Belgium	7.250	04/04	95.0900	-1.33	7.88	7.80			
Canada	6.500	06/04	96.2500	-1.00	8.75	8.42			
Denmark	7.000	12/04	92.2700	-2.40	8.11	7.95			
France	BTAN	6.000	05/06	104.8700	-0.50	6.55			
Germany	CAAT	5.500	04/04	97.3700	-1.00	7.34			
Italy	0.000	06/04	96.3600	-0.70	8.08	8.73			
Japan	No 118	0.000	06/06	107.2400	-0.40	3.14			
Netherlands	No 157	0.000	06/04	104.0200	-0.10	3.68			
Spain	0.000	06/04	91.0000	-1.00	9.86	9.52			
UK Gilt	0.000	06/04	90.28	-1.40	8.21	7.63			
US Treasury	0.000	06/04	90.28	-1.40	8.21	7.63			
EU French Govt	0.000	04/04	97.8000	-1.00	7.30	7.49			
US Treasury	0.000	06/04	90.28	-1.40	8.21	7.63			
EU French Govt	0.000	04/04	97.8000	-1.00	7.30	7.49			
US Treasury	0.000	06/04	90.28	-1.40	8.21	7.63			
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COMPANY NEWS: UK

Colombian find shores up Lasmo's bid defence

By Robert Corzine

Lasmo, the independent explorer under siege from hostile bidder Enterprise Oil, yesterday shored up its defence by announcing the discovery of a new find in Colombia.

The Revancha 1 well, which was tested at a rate of 6,200 barrels of oil a day, is just 3km from an earlier discovery. Lasmo estimated the combined recoverable reserves at between 50m and 150m barrels.

Analysts said the new discovery could be worth some 2p to 5p on Lasmo's share price. But some speculated that the announcement during the bid process might eventually be scaled back.

Colombia accounts for about 5 to 7 per cent of Lasmo's output. It has been cited by Enterprise as one of the areas which suffers because of Lasmo's heavy financial commitments elsewhere.

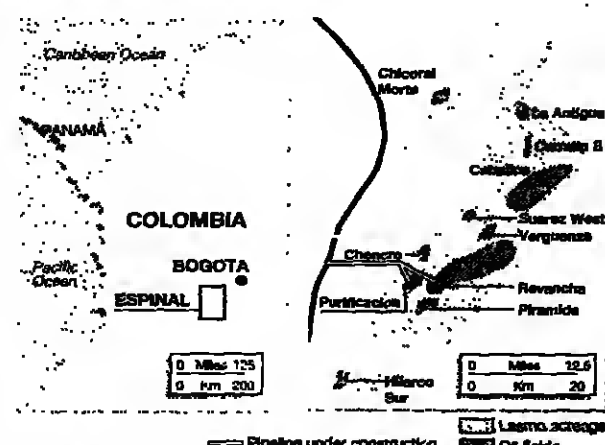
Mr John Hogan, Lasmo's chief operating officer, acknowledged that development of the latest discovery was not in the budget. But "there is always money available for good projects".

He noted that three more exploration wells for the area were in next year's budget. Full scale development is not envisaged before late 1995 or early 1996, by which time Lasmo will have completed its extensive capital programme to develop the Liverpool Bay gas field.

The two discovery wells in Colombia are 5km from the Purificacio field, from which Lasmo is trucking out 6,000 barrels a day.

Mr Hogan said the expensive trucking operation, which analysts say can add up to \$3 a barrel in costs, will end later

Espinal block Colombia



Source: Lasmo

this year when a pipeline with a capacity of 35,000 b/d is completed.

Lasmo wants to achieve early production from the new discoveries to generate cash which will be used for the further development of the field.

A temporary pipeline might be built to link the new discoveries to Purificacio as early as next year, Mr Hogan said.

Lasmo's 86 per cent interest in the block will fall to 30 per cent when it proves to be commercially viable and Ecopetrol, the Colombian state oil company, exercises its option to back into the deal.

Lasmo yesterday retracted an earlier statement which claimed that "in the 1990s Enterprise has lost over £150m in international operations." It acknowledged that the loss-making operations mentioned did not include Norway, which "... was not loss-making over the period".

Enterprise pointed out that Lasmo had "chosen to ignore" 93 per cent of its international production. Norway last year accounted for turnover of £14m, against total international revenues of £154.6m.

Enterprise has until the opening of the London Stock Exchange today to extend its £1.3bn bid.

See Lex

CIA in £3m purchase of Dutch group

CIA Group has acquired MediaMend, a Dutch media independent, for up to £3.1m, including the issue of 660,000 new ordinary shares.

The acquisition takes in 75 per cent of MediaMend's Belgian sister company, MediaMend has projected billings in Benelux of more than £30m.

Pentos sells Athena to management team for £1.9m

By Paul Taylor

Pentos, the specialist retailing group, has sold the publishing, manufacturing and wholesaling businesses of Athena International to a management team backed by Henderson Venture Managers for a maximum of £1.9m.

The three-person management buy-in team is led by Mr David Clapham who has had a career in marketing and creative-led businesses, including periods with both the Athena retail and publishing businesses as well as being a divisional director of WH Smith.

Athena's operations involve the design, manufacture, sales and distribution of graphic arts printed products including greeting cards, postcards, posters and prints under the Athena brand name, together with frames and framed products under the KwilFrame and Montana brands.

The company, which has turnover of about £12m and exports some 15 per cent of sales, will continue to supply the Athena retail chain which accounts for about one third of its business. It employs between 100 and 150 people.

Mr Clapham said the new management team intends to boost the group's overseas sales and take advantage of its new independence to develop domestic sales by broadening both the product range and the customer base.

The other two members of the management buy-in team are Mr Paul Bendit, finance director, and Ms Linda Worfold, publishing director.

Making an appeal to all sides

James Buxton on why Mining (Scotland) wants part of British Coal

It is political acceptability to count for anything in the government's selection of the winning bids for the assets of British Coal then a company named Mining (Scotland) is ideal.

The consortium has the support of the National Union of Mineworkers in Scotland, and Mr Campbell Christie, general secretary of the Scottish Trades Union Congress, sits on its board. But its co-chairman is Professor Ross Harper, a former president of the Scottish Conservative party, and his co-chairman is Mr George McAlpine, a former British Coal area director for Scotland.

The formation of Mining (Scotland) last summer was both an example of the Scottish preference for consensus rather than confrontation, and of Scottish pragmatism in pursuit of an objective. The moderate Scottish branch of the NUM has swallowed any ideological objections to privatisation in the interests of getting a share of the assets.

Those assets are among the most attractive the government is offering. They consist of one deep mine, Longannet, and nine opencast sites, with a number of prospective opencast sites for future development. Last autumn Scottish

Power and Hydro-Electric agreed to buy 2.5m tonnes of coal in 1994-95, rising to 2.8m tonnes each year until 1997-98.

The low sulphur content of much of Scotland's coal makes it relatively friendly in environmental terms, and demand is set to rise from 5.3m tonnes this year to 7.5m in 1998. This is because of the increase in the capacity of the interconnecting power lines to England and the falling off of supplies of gas from the Miller field in the North Sea to Hydro-Electric's power station at Peterhead, Grampian.

The government is also offering as a separate lot the Frances colliery near Kircaldy in Fife, which has been mothballed for several years but which possesses reserves of low sulphur coal. Mining (Scotland) is interested in that too, though realises that it could require a substantial investment.

The attractions of the Scottish coalfield have been appreciated by other bidders. Last month Ryan Group, the coal producer, announced a joint venture with Miller Group, the Edinburgh-based construction company. Between them they already mine 40 per cent of Scottish coal under contract to British Coal.

Scottish, as it is called, also has a top Scottish Tory on its board: the chairman is Lord Sanderson who until last May was chairman of the party. Other companies are thought to have pre-qualified, if only to see the details of what British Coal is putting on sale.



BRITISH COAL: THE BIDDERS

Mr Brian MacDonald, the Glasgow businessman whom Mining (Scotland) appointed chief executive last autumn, says that part of the eventual deal should be structured as a management-employee buy-out through an employee share ownership plan. The mining unions would invest separately.

Other shareholders are likely to be involved. Mr Malcolm Edwards, the former British Coal commercial director who has formed a company called Coal Investments, is on the board and would take a stake. Intriguingly, Mr MacDonald

says Mining (Scotland) is negotiating a partnership with another British coal mining company, but refuses to name it.

He envisages the founding shareholders' equity being supplemented by loans and venture capital funding, though he says "high gearing is not desirable." Royal Bank of Scotland has told the company it would consider lending to it and Murray Johnstone, the Glasgow investment house, should offer venture capital. If all goes well, Mining (Scotland) would expect to float on the Stock Exchange in five to seven years time.

However, these are early days. First Mining (Scotland) wants to know exactly what British Coal is offering and what liabilities such as subsidence, flooding, pollution and miners' health the government expects the purchaser to take on. The government has indicated that it is prepared to address some of the potential bidders' concerns on these costs but has yet to decide where to draw the line.

"The liabilities are a big problem," Mr MacDonald says. "If they are not capped by the government in some way I don't believe anyone will want to buy the assets."

Exceptionals hit United Breweries

By Graham Deller

Exceptional charges and a substantial property write-down combined to push United Breweries, the USM-traded regional brewer and pub operator, deeper into the red.

Despite what Mr Vijay Malia, chairman, described as "extremely difficult trading conditions" turnover during the year to November 30 jumped 68 per cent to

£4.14m, while operating profits before the exceptional charges improved from just £38,000 to £463,000.

The pre-tax line, however, showed a deficit of £2.57m (£978,564) following non-recurring exceptional charges of £758,570 against the Chairman's division, had debt write-offs and "other known losses". Interest charges increased from £720,177 to £815,279.

As announced in April, a revaluation of

the group's 76 public houses resulted in a £7.4m write-down, effectively eliminating the company's reserves and leading it to breach its banking covenants.

Nevertheless, Mr Malia remained cautiously optimistic: "The underlying business continues to improve through operational efficiency. Negotiations for both the restructuring and acquisitions continue." Losses per share widened from 8.58p to 10.65p.

Risky

to ignore.

Not so long ago, most fund managers thought derivatives were purely for speculators. Everyone else was content with buy, sell and hold.

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LIFFE

The London International Financial Futures and Options Exchange

Conquest Inns buys Bass pubs

Conquest Inns, a company set up by the former executives of the UK's leading brewing groups and funded by The Ann Street Brewery Company, Jersey, and Barclays, yesterday announced it had completed its first acquisition, writes Peter Franklin.

The deal comprises the purchase from Bass, for an undisclosed amount, of 59 pubs in

the Midlands, London and south-east England.

Mr Adam Fogg, previously an executive with Courage, and Conquest's managing director, said he welcomed the involvement of The Ann Street Brewery as the company's majority shareholder.

Mr Ian Steven, Ann Street's chairman and chief executive who is also chairman of Con-

quest Inns, said: "We have been looking for opportunities to invest outside the Channel Islands for some time, and Conquest fits our strategy of investing in management teams in industries in which we have experience."

"We have no immediate plans for introducing Ann Street brands into England," he added.

NEWS DIGEST

Stratagem turns in £280,000

Stratagem, which has evolved from an investment company into a group with interests in the manufacturing, distribution and service sectors, yesterday reported a pre-tax profit of £280,000 for the six months to end-February.

The outcome compared with profits of £272,000 and came from turnover up from £690,000 to £83.6m. The results were bolstered by the inclusion of a first-time contribution from Harrison Industries, acquired last August.

The directors said that all three divisions acquired with Harrison were reporting profits by the end of the period.

At the same time Veritas, the car dealership operation, had benefited from the reorganisation which was implemented after it became wholly owned in late-November 1993.

Earnings per share emerged at 1.6p (2.2p) and the interim dividend is maintained at 1.5p.

Rackwood ahead of forecast

Rackwood Mineral Holdings, the opencast mining group which obtained a listing in January, returned pre-tax profits of £29,000 for 1993.

That compared with a prospectus forecast of £10,000 and

was achieved on turnover of £2.97m. Interest charges accounted for £221,000. Basic earnings per share emerged at 0.36p; on a pro forma basis the figure was 0.18p.

The shares, placed at 40p in January, rose 2p to 42p.

Rank plans Kent holiday village

Rank Organisation, the leisure company, is seeking planning permission to build a holiday village on a 400 acre site near Lymington, Kent.

The company said it had an option to acquire the site from Forest Enterprise, an offshoot of the Forestry Commission.

Orders 'robust' at BTR Nylex

Mr Alan Jackson, chairman of BTR Nylex, the Asia-Pacific arm of BTR, the industrial conglomerate, said yesterday that orders and sales performance in the first four months of 1994 had been robust.

"Apart from isolated exceptions, the vast majority of our companies in these markets are well ahead of prior-year orders and sales, although not all these companies are yet achieving commensurate profit drop-through performance", he told shareholders at the annual meeting in Melbourne.

Mr Jackson added that the company's Taiwan Polymer businesses were benefiting from more favourable pricing, and operating profits for that

Cardiff lifts offer for First Choice

Cardiff Property has increased its offer for First Choice, the residential property developer. The new offer, which is recommended, values First Choice at £2.59m and will be satisfied by the issue of 796,588 new Cardiff ordinary shares at 325p apiece.

The revised offer comprises 53 new Cardiff ordinary for every 500 First Choice shares and 22 new ordinary for every 15 A ordinary 31 shares.

Some 200,000 new Cardiff ordinary have already been placed firm at 315p, raising £630,000. Assuming full acceptance of the offer, 996,588 new shares, representing 26.6 per cent of the enlarged share capital, will be issued following the offer and placing.

£9.7m purchase for UniChem

UniChem, the pharmaceutical wholesaler and chemist retailer, has paid about £9.7m cash for Hospital Management & Supplies, a hospital supply company.

In 1993 HM&S handled some £30m of supplies through warehouses in Northampton and Glasgow. The vendor was Baxter Healthcare.

SW Electricity to purchase own shares

South Western Electricity, the power supplier and distributor, is to seek shareholder approval to purchase up to 10 per cent of its own share capital.

The request will be put to the annual meeting on August 4.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
De La Rue	14	Aug 25	13.15	20	17
Gartmore Scott	2.4p		2.4	-	10
Physa	51	July 19	5	7	7
Stratagem	1.5	June 30	1.5	-	4.75

Dividends shown per share net except where otherwise stated. (n) increased capital. (p) third quarter distribution; makes 7.2p to date.

BUSINESS FOR SALE

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FINANCIAL TIMES

Beazer Homes jumps by 20% to £15.6m

By Andrew Taylor,
Construction Correspondent

Pre-tax profits of Beazer Homes, the former Hanson subsidiary which was floated only two months ago, jumped by a fifth from £12m to £15.6m during the six months to March 31.

The improvement had been widely expected and the shares yesterday fell 2p to 154p, against an issue price of 165p. Shares prices of housebuilders have fallen sharply since March amid fears that the next interest rate movement will be upwards, undermining housing market confidence.

Mr Dennis Webb, chief executive, said yesterday that turnover during the six months had risen by 26 per cent, from £105.8m to £133.1m. Earnings per share, after a 26 per cent tax charge, were 4.5p (5.2p).

The group, which is changing its year end to June 30, is to draw the dividend of 1.5p for the nine months to the end of June. Mr Webb hoped future distributions to shareholders would be covered by earnings at least 2 to 3 times.

The group completed 2,210 homes during the period - 17 per cent more than the 1,884 completed a year earlier. The average price of a home rose from £57,400 to £61,500.

Operating margins, however, fell from 12.5 per cent to 11.9 per cent - as forecast in the flotation prospectus. Mr Webb said that he would expect margins to start to recover slightly.

At the end of March the group had net cash of £74.7m available for land purchases and acquisitions. It plans to



Dennis Webb (left) with David Smith, finance director

increase annual output to about 7,000 homes by the end of the decade, compared with about 5,000 to 5,500 currently.

Mr Webb said the market for housing land was very difficult in south-east England with some buyers paying "silly prices". Nonetheless, it was still possible to buy some sites by private treaty at sensible prices.

At the period and the group owned 18,529 plots with planning permission in its books at £9,000 a plot, compared with £8,500 a plot when the flotation prospectus was published.

COMMENT

Beazer Homes' shares have fallen by more than 5 per cent from the issue price reflecting

general stock market concern about the potential impact of rising interest rates and land prices on housebuilders' profits. The potential for Beazer to improve its margins is less than for some of its rivals given that it has opted for "jam today" policy by writing down land values to include a margin for profit. Pre-tax profits of £13m for the nine months to June and £15m for the following 12 months would put the company on 13 times earnings on 1994-95 profits. The rating is unlikely to improve in the short term with sentiment running against housebuilders and the market waiting to see how wisely the group intends to spend its cash. The jury is still out.

Heron Intl sifts through the bidders

By Simon Davies

Heron International's board of directors yesterday started the process of selecting a short-list of six bidders for Mr Gerald Ranson's troubled property and petrol stations group, after the deadline for offers closed last Friday.

The company had expressions of interest from 40 groups but Lord Boardman, chairman, would not comment on the number of formal proposals that had been received. However, a number of leading US investment banks are understood to have submitted offers.

Goldman Sachs and Morgan Stanley, which control substantial property funds, have been discussing a similarly complex untangling of the property developer's Broadgate and Ludgate properties, and both are understood to be interested in Heron.

Heron has given assurances that it will be able to put forward concrete proposals to its bondholders by the end of the month, and Lord Boardman said the directors would meet again next week to discuss the proposals.

Heron had been on target in its asset disposal programme, agreed at the time of the £1.4bn restructuring last year. Many of these assets, however, were held by a subsidiary, Heron Corporation, whose bankers have first call on the proceeds.

Heron International was unable to meet its dividend payments, while the bankers to Heron Corporation have received payments in advance of the agreed timeframe.

Amstrad fills top post after seven-month search

By Paul Taylor

Amstrad, the consumer electronics group run by Mr Alan Sugar, yesterday appointed Mr David Rogers, a senior Philips executive, to the post of chief executive.

Mr Rogers, aged 47, is currently chief executive of Philips Advanced Communication Enterprise, an investment vehicle for the Dutch electronics group, and will take up his new appointment in August.

He was previously head of Philips Consumer Communications business which has annual sales of about £300m and is responsible for Philips'

worldwide interests in telephones, facsimile machines, telephones and other products.

His appointment comes seven months after Mr Sugar first announced that he planned to split the roles of chairman and chief executive and began the search for someone to fill the new job.

The appointment comes at a critical time for Amstrad which is attempting to develop new markets to offset declining margins in its other consumer electronic operations.

Mr Sugar and Mr Rogers are understood to have spent considerable time together over the past couple of months in

an effort to ensure that "the chemistry was right" and that they could work together effectively.

Mr Sugar, Amstrad's colourful chairman and founder, has also strengthened the board through the appointment of two non-executive directors in the past 18 months.

Mr Rogers' appointment appears to underline Mr Sugar's determination to expand Amstrad's advanced telecommunications equipment operations and to strengthen the group's strategic planning.

In his last job Mr Rogers was responsible for Philips' invest-

ment in General Magic, a Californian-based software company founded by the two lead designers of the Apple Macintosh.

Before joining Philips in 1986 Mr Rogers spent most of his career in the British electronics industry working for both GEC and Plessey. He also had a five year spell with Black & Decker.

He has considerable international experience - particularly of the European Union, the US and east Asian markets.

Mr Rogers speaks French and German and has a BA in business management.

Warburg highlights exposure

Derivatives accounting is causing concern. Andrew Jack reports

SG Warburg yesterday became the latest in a series of British banks to highlight exposure to derivatives under pressure from European law and industry guidelines enacted at the end of last year.

Derivatives are the financial instruments such as swaps, futures and options whose value is "derived" from more conventional financial assets. Their presence and treatment in accounts has come under growing scrutiny in the last few months, particularly in the light of the hundreds of millions of dollars lost by such blue chip companies as Procter & Gamble and Metallgesellschaft.

But accountants and other readers of accounts warn that the new disclosure requirements now in place for banks still only provide very little information, and that this data needs to be interpreted with great care.

Warburg's accounts for the year to March 31 1994 contain a number of changes to the format of the profit and loss account and balance sheet and accompanying notes, as well as an "operating and financial review" designed to describe the company's performance and strategy in text.

"This is a more transparent document," says Mr Simon Leathes, Warburg's group finance director. "As time moved on we felt it was appropriate to give people who read our accounts more information."

No new disclosure is more significant than note 30, which shows for the first time Warburg's "forward and futures contracts" divided between three categories: exchange rate contracts, interest rate contracts and equity contracts.

Three numbers are provided under each heading:

- contract or underlying principal: a notional value for the gross volume of outstanding derivatives business at the balance sheet date.
- replacement cost: the cost to the bank if counterparties to the derivative contracts fail to meet their obligations. The cost is calculated by aggregating those contracts with a positive value when "marked to market" at current prices.
- credit risk: risk weighted amount: a Bank of England formula to give an indication of the credit risk of the contracts.

The categories used and the level of disclosure provided are similar to those adopted in the latest accounts produced by

banks such as Barclays, Kleinwort Benson and Schroders.

The reason for the additional disclosures dates back to the introduction of the EU fourth company law directive, which lays down reporting requirements but specifically excluded banks and insurance companies as special cases needing separate rules.

In the UK, these EU rules for banks were incorporated in Schedule 9 of the UK Companies Act - generally known as the "bank accounts directive" - and came into force for companies with year-ends after December 22 last year. It included references to derivatives.

Far more detailed advice has been provided in an accompanying "Sorp" - statement of recommended practice - produced by the British Bankers' Association. While not mandatory, it represents best practice which banks would be loathe to ignore.

However, the level of disclosure still provides an imperfect picture. "It is very hard to give information that really reflects the risks involved," says Mr Leathes. "It is very hard to know how to do so without misleading people unless you have a detailed knowledge of

how firms with big numbers are managing their risk. The whole thing could boil down to very little."

Mr John Tattersall, a banking partner with Coopers & Lybrand, the accountants, says warily that readers could try to compare the replacement cost of contracts against the balance sheet total, or the credit risk value against the banks' more conventional exposures such as customer loans.

His wariness is shared by Mr Chris Taylor, a partner in the capital markets group of accountants Price Waterhouse. "I'm not sure it's terribly sensible to compare anything. This is very crude measure with very raw data."

He warns that the exchange, interest and equity contract categories are still enormously broad. He adds that while the figures provide an assessment of the credit risk of the counterparty in a transaction, they do not assess the market risk.

Mr Taylor says that draft proposals from the US Financial Accounting Standards Board, issued in April, would disclose the average, maximum and minimum market value of contracts during the financial reporting period.

The parting of the ways

Peggy Hollinger on the demerging of ECC's construction materials arm

It took only six minutes at yesterday's EGM to secure shareholder approval to launch English China Clays as a specialist minerals and chemicals company. Trading in Camels, its demerged construction materials arm, starts today.

Yet it has taken almost four years of planning and rationalising for Mr Andrew Teare, chief executive, to get the group into its present shape.

When he arrived from Rugby, the construction materials group, Mr Teare was faced with revitalising what was, in effect, a mining company which had mistakenly strayed into housebuilding. After withdrawing from the housing market and cutting more than 20 per cent of the workforce, yesterday's demerger marks the final chapter of ECC's transition.

Mr Teare is left with a minerals operation dependent on the paper industry, and a chemicals business based on the recent purchase of Calgon, a US water treatment group.

The logic of demerging a business on the verge of recovery while the remaining core operations are a year behind in the economic cycle has come under widespread attack.

Mr Teare is confident, however, that the timing of the demerger is an irrelevant issue, since shareholders will have stakes in both companies. He intends to focus on building ECC around two concepts - added value and service. The key to his strategy is research and development, which is at the heart of both divisions.

Mr Teare's game plan goes something like this: ECC intends in the short to medium term to remain heavily dependent on the paper industry. While margins have come under severe pressure in recent years due to overcapacity, paper volumes have actually increased at a rate of 3 to 4 per cent a year in recent years. This steady growth allows ECC to avoid the excessive cyclical swings of volatile sectors such as building materials, and provides a certain degree of security, he says.

With volumes steady, Mr Teare argues that profit growth must come from technical innovation and the provision of integrated services.

For example, his utopia has ECC providing the minerals used to whiten paper and the chemical processes to reclaim the products for recycling.



Andrew Teare, focusing the business on two concepts

The opportunities presented by environmental legislation are vast, Mr Teare says, when one considers that the paper and packaging industries generate some 40 per cent of the world's landfill demand.

The paper industry is also one of the largest producers of waste water. Enter Calgon, the US acquisition upon which ECC intends to build a global specialty chemicals business.

ECC's logic is that because it is a substantial user of chemi-

cal in its mineral refining process, there is much to be gained by combining the research and development expertise of the two divisions.

If all goes to plan, this would lead to more innovative products, allowing ECC to raise prices and offer integrated services in a world where manufacturers want to deal with fewer suppliers.

The theory sounds attractive. There are some sceptics, however, who suspect it may not be so easy to implement.

ECC remains largely dependent on its kaolin product, a mineral used to whiten paper, and has stocks which are expected to last for substantially more than 25 years. Yet kaolin is facing heavy competition from cheaper alternatives such as calcium carbonate, which ECC also provides but in much smaller quantities.

Although demand for kaolin is growing, it is doing so at a much slower rate than the cheaper alternatives. Furthermore, ECC has had to take some sharp price cuts to keep the market going.

"If kaolin loses market share, then ECC's profits will suffer," one analyst says. "We are not convinced that this is a very clear cut recovery story."

Profits warning slices 71p off Hall share price

By Paul Taylor

Shares of Hall Engineering (Holdings) fell almost 30 per cent yesterday following a profits warning from the Shrewsbury-based steel products and automotive engineering group.

The directors said that because of problems in the Stadoe automation engineering operations and margin pressure in the general steel stockholding and steel reinforcement businesses the results for the current year were expected to be "materially short of those for 1993".

The shares closed 71p lower at 189p. Last year the group reported pre-tax profits of £8.55m and raised its dividend for the year by 10 per cent to 9.5p.

In their statement yesterday the directors said that, providing there was no further deterioration in the forecast for this year, they expected to maintain the dividend at 9.5p.

They said that Stadoe's automation engineering division, which designs and builds assembly line welding systems for car manufacturers, had been affected by the decision of an unidentified continental European car manufacturer to cancel one of three sections of a £21m contract.

Although the customer was expected to reinstate part of this section of the contract following further negotiations, the company said the disruption to Stadoe's production plan had resulted in "an under recovery of overheads".

Squeeze on margins halves Plysu to £5.4m

By Caroline Southey

An erosion in margins sharply reduced profits at Plysu, the plastic container manufacturer, in the year to March 31.

It yesterday reported pre-tax profits down almost 50 per cent from £10.8m to £5.4m. Sales were up by 2.7 per cent to £88.6m (£86.4m).

Mr David O'Shaughnessy, chairman, said the results were disappointing although he considered the year successful because of the development of new products and investment in plant and equipment. Plysu had issued a profits warning in October, just after Mr O'Shaughnessy was brought in as chairman in September.

The dairy and juice division, which in the period increased its share of the UK milk and fruit juice containers market to

66 per cent, secured several long-term supply contracts.

Two new factories were commissioned during the year, new products were introduced and additional capacity was brought on stream.

Operating profit from continuing operations fell from £10.9m to £7.39m. Exceptional reorganisation costs of £1.4m covered closing some UK plants.

Mr O'Shaughnessy said Plysu remained committed to its continental European businesses despite overcapacity in the industrial containers sector and the poor economic climate. There were signs of sustained improvement in the UK market, he said.

Earnings shrank to 7.3p (15.3p). An unchanged final dividend of 5p is proposed, maintaining the total at 7p.

FIDELITY FUNDS SICAV

Société d'Investissement à Capital Variable
Kansallis House - Place de l'Etoile
L-1021 Luxembourg
R.C. No B. 34036

Fidelity Funds SICAV has declared the Annual dividend in respect of shares of each of the undermentioned sub-funds held at close of business on 29th April, 1994 (for Pacific Fund on 28th April 1994). The dividend amount, Beazer coupon number and payment currency is as indicated below. In the case of registered shares, dividends will be paid or reinvested in additional shares of the relevant fund as appropriate on payment date of 13th June 1994. Dividends not cashed within 5 years from payment date will lapse and the dividend will revert to the Fund.

SUB-FUND NAME	PAYMENT CURRENCY	DIVIDEND PER SHARE	COUPON NUMBER
International Bond Fund	USD	0.0673	6
US Dollar Bond Fund	USD	0.1329	7
Sterling Bond Fund	GBP	0.0048	13
European Bond Fund	ECU	1.149	5
Yen Bond Fund	JPY	15.17	7
Hong-Kong & China	USD	0.7027	4
Thailand Fund	THB	56.7	3
Italy Fund	ITL	56.7	3
France Fund	FRF	0.3784	2
Asia Fund	USD	0.0106	2
Pacific Fund	USD	0.0538	1

Dividends will be paid to holders of Beazer Shares in the currency of denomination of the sub-fund (or by arrangement with the Paying Agent and at the cost of the shareholder, in any other currency) against tender of the coupon number listed.

BANKERS TRUST LUXEMBOURG SA
P.O. BOX 807
14, BOULEVARD F.D. ROOSEVELT
LUXEMBOURG

Bank of Ireland
Lower Bagin Street
DUBLIN 2
Republic of Ireland

Fidelity Investments

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF BONDS. IF HOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONTACT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of Early Redemption

Caradon plc

(the "Company")
(formerly Mid Group Plc)

£61,800,000
(previously £65,000,000)

5% per cent. Subordinated Convertible Bonds due 2002 (the "Bonds")
(outstanding amount of uncovered bonds approximately £1.76m)

NOTICE IS HEREBY GIVEN that in accordance with Condition 2 (c) of the Bonds, the Company will redeem all outstanding Bonds at their principal amount of £1,000 per Bond together with accrued interest amounting to £12.15 per Bond on 15th July 1994 (the "Redemption Date") when interest on the Bonds will cease to accrue.

Consequently on 15th July 1994, an amount of £1,212.15 will become due and payable in respect of each outstanding Bond.

Bonds should be presented at the office of any of the Paying and Conversion Agents listed below for redemption together with all unremitted Coupons, failing which the face value of the missing unremitted Coupons will be deducted from the sum due for payment. Bonds and Coupons will, save as where provided herein, become void unless presented for payment within periods of twelve months and six years respectively from the relevant date (as defined in condition 2 of the Bonds). Bondholders are reminded that Bonds remain convertible up to and including the 7th July 1994, being the eighth day prior to the redemption date.

Notices of conversion together with the Bonds and all unremitted Coupons attached should be delivered to the office of any Paying and Conversion Agent listed below.

Principal Paying and Conversion Agent

Bankers Trust Company

1 Appold Street

London EC2A 2HE

London EC2A 2HE

Swiss Bank Corporation

1 Aeschenvorstadt

CH-4002 Bale

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

Switzerland

ANZ Bank

Australia and New Zealand

Banking Group Limited

A.C.N. 005 357 522

(Incorporated with limited liability in the State of Victoria, Australia)

U.S. \$125,000,000

Floating Rate Notes due 1996

Notice is hereby given that for the Interest Period 31st May, 1994 to 31st August, 1994 the Notes will carry a Rate of Interest of 5 per cent per annum with an Amount of Interest of U.S. \$127.78 per U.S. \$100,000 Note and U.S. \$1,277.78 per U.S. \$1,000,000 Note. The relevant Interest Payment Date will be 31st August, 1994.

Bankers Trust Company, London Agent Bank

Agent Bank

Agent Bank

Agent Bank

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Agent Bank

Voyager Securities Limited

(Incorporated with limited liability in the Cayman Islands)

U.S. \$100,000,000

Secured Floating Rate Notes due 1992-1996

For the Interest Period 31st May, 1994 to

COMMODITIES AND AGRICULTURE

Softs take off in US and London on Chicago rally

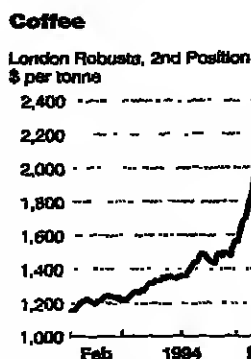
By Our Commodities Staff

Corn and soybean futures prices at the Chicago Board of Trade surged by their allowable daily limits just after the opening yesterday, triggering a renewed rally in soft commodities in the US and London after last week's profit-taking.

Chicago traders sent prices up in response to an absence of rain in the main midwestern crop areas over the long holiday weekend. The National Weather Service on Friday issued 30-day and 90-day forecasts that predicted near-normal moisture patterns in the Midwest. But traders are reacting to short-term dry weather because of a shortfall in last year's US crop.

"It's still May and we've already had two weather scares," said Mr Vic Lesplasse, a Dean Witter Reynolds trader, referring to a similar jump in grain prices on Monday last week. "The market is reacting to every little worry."

Last Tuesday, Chicago grain markets tumbled back down again, setting off long-awaited profit-taking in other softs.



Source: Datastream

At midday yesterday, July soybean futures were up the maximum allowable 30 cents per bushel at \$6.73. Trading had halted. November maize futures were up by their 12 cent limit at \$2.78 per bushel.

Investment and hedge funds have bought heavily into commodities in recent weeks, feeding a general buying spree that started with coffee futures. The early excitement in Chicago yesterday spilled over into silver and gold in New York, and into coffee and cocoa.

"It's just a technical, speculative blip that we're seeing here," said Mr Bill O'Neill, analyst with Merrill Lynch.

He underlined that the coffee market had strong fundamental support from the supply shortage. The July arabica contract in New York was up 5.10 cents in afternoon trading at 126.40 cents a pound.

In London, robust coffee futures had a strong day, but with bouts of profit-taking and very thin volume, which left traders nervous. The July futures contract closed at \$132 higher at \$2.118 a tonne. Last week the price plunged by over \$360 a tonne from its seven-year peak of \$2,348.

London cocoa futures picked up strongly, with July \$39 higher at \$1,027 a tonne.

Against the trend, nickel prices tumbled on the London Metals Exchange following the weekend agreement on a new contract between Inco, the world's second-largest nickel producer, and labour leaders at its Sudbury, Ontario, metals complex. Three-month nickel closed \$102.50 a tonne lower at \$9,325.

Kennecott makes large Canadian diamond find

By Bernard Simon in Toronto

The emerging diamond field in Canada's Northwest Territories has been further extended with a substantial discovery by a joint venture led by Kennecott, a subsidiary of the US's BHP group.

Kennecott's Canadian partner, Aber Resources, said that it has recovered 154 stones from a 155kg sample taken from its Diavik property, about 550km north-east of Yellowknife.

The property is on the southern boundary of the Lac de Gras area in which Australia's BHP Minerals and its Canadian partner, Dia Met Minerals, have already made substantial discoveries.

BHP and Dia Met are presently analysing bulk ore samples from their property before deciding whether to build North America's first diamond mine on the site.

Their confidence that the \$400m project will go ahead is reflected in talks which have already begun with the Northwest Territories government on environmental permits and financial arrangements for a mine. BHP believes the property could be in production by 1997.

Aber stressed that its discovery was concentrated in a single kimberlite pipe. Of the 154 stones, 38 had a diameter of more than 0.5mm. However, it said that preliminary results from another pipe also pointed to the presence of diamonds.

The Kennecott/Aber discovery has given another push to the surge in share prices of companies involved in the NWT diamond rush. Aber gained 88 cents to \$88.25 in early trading on the Toronto stock exchange yesterday, after jumping by \$32 on Monday afternoon, following the announcement of its find. Dia Met was also higher.

Twenty years of oil for Côte d'Ivoire

Two offshore fields could bring self-sufficiency, writes Paul Adams

United Meridien Corporation, a US-based company, is developing two offshore oil and gas fields which by early next year would make Côte d'Ivoire self-sufficient in oil and supply natural gas to its expanding energy and power sectors.

UMC, in partnership with the Ivorian state oil company Petroci, has tested 14,000 barrels of oil a day, with enough reserves to supply the whole country for the next 20 years, at the Lion One field, over a well drilled by Phillips Petroleum in the 1980s. The well also has a large volume of associated natural gas.

UMC has also tested 30m cubic feet a day of natural gas and 732 barrels a day of condensate at its Panther One field.

UMC expects to complete negotiations with the Ivorian government for a gas supply contract end-user by June, although the end-user is not yet known. Associated gas cannot be separated from the oil, so if there is no gas contract by January, the gas from the Lion field would have to be flared, which is environmentally damaging and a waste of resources.

Compagnie des Energies Nouvelles de Côte d'Ivoire (Cenci), a French-led consortium, also plans to supply gas but has so far failed to find finance to develop its offshore gas field, Foxnot. Partners in Cenci include SAUR, the local subsidiary of Electricité de

France and the French construction firm Bouygues; Petroci; and the International Finance Corporation (IFC). A spokesman for UMC says that there is enough domestic gas demand for both its own and Cenci's projects. Côte d'Ivoire's electricity is very expensive and the power generation sector is trying to reduce both its costs and eliminate its imports. A large part of its electricity is imported from Ghana's big hydro-electric plant and it relies on energy imported from Nigeria for its local generation. The proposed nickel mine near the north-western border with Liberia, which a Canadian group plans to develop, would need 100 MW of power. Gas is

also needed for the state's 50,000 barrels a day oil refinery at Vridi near Abidjan. UMC signed production sharing agreements with the Ivorian state for its two fields in late 1992, after amendments to Côte d'Ivoire's antiquated mineral laws, under terms which it says are favourable for both sides and will encourage further oil exploration and production.

"We believe there are several other exciting prospects along the coast of Côte d'Ivoire and are negotiating for more blocks," said a company spokesman in Abidjan.

UMC is also carrying out seismic testing for oil in Equatorial Guinea and will start drilling later this year.

Gaspol to build Gdansk terminal

By Christopher Bobinski in Warsaw

Gaspol, a joint venture formed by SHV, the Dutch energy group in Poland, is to build a liquid gas terminal in Gdansk, according to an agreement signed yesterday with the local port authority.

The terminal, to be completed by the end of 1995, will have 6,000 tonnes of storage capacity and permit 4,000 tonne tankers to deliver liquid gas from the North Sea. The initial cost of \$22m is part of a \$60m four-year investment programme due to run to 1996.

Gaspol is owned jointly by Calor of the UK, Primagaz from France and seven Polish filling plants.

US likely to boost world demand for coarse grains

By Alison Maitland

World consumption of coarse grains could rise by about 19m tonnes in 1994/95 on growing demand from the US, the International Wheat Council said in its latest grain market report.

"Although the declining trend is likely to continue in the former Soviet Union, a significant upturn is expected in the US," it said.

Growing livestock industries would also increase demand for coarse grains in developing countries, particularly in Asia, where their use for all purposes "could set a new record".

However, early calculations of consumption of 84m tonnes depended on a good US harvest. "Should the latter fall significantly below expectations, consumption would drop because of the limited volume of existing supplies in exporting countries," it said. Stocks at the end of 1993/94 were estimated to be only 11m tonnes.

The IWC forecasts 1994 world production of coarse grains at 837m tonnes, up 48m tonnes on last year. "Although crops are expected to decline or show little change in most countries, output should be boosted by a recovery in the US and another large harvest in China."

No recovery in demand is expected this year from Russia, where animal numbers and meat consumption have dropped in recent years.

Gold fever returns to Ghana

By Kenneth Gooding, Mining Correspondent

Ghana, once called the Gold Coast, is going through the third gold mining boom in its history and its output of the precious metal will reach 2m troy ounces in 1996, according to Mr Godfried "Geo" Kesse, who recently retired after 20 years as director of the Ghana geological survey. He was also an adviser to the minerals commission and a director of Ghana's state gold mining corporation.

Since its first gold rush started in 1890, Ghana has produced at least 41m ounces but output dropped to an all-time low of 280,000 ounces in 1982-83. Then a new government launched an economic recovery programme, changed the mining laws and made other moves to attract foreign capital into mining in Ghana.

These changes, and the country's relative political stability, encouraged phenomenal growth in the past few years. Mr Kesse points out in a paper prepared for the investment in Mining conference in New York this week.



Geo Kesse: joining the rush

In a country where no new gold mines had been brought into production since 1940, six have been opened since 1988. And at least US\$900m has been invested in the gold sector alone with 66 Ghanaian and 19 foreign companies being issued with prospecting licences (mainly for gold) and 10 companies winning mining leases.

Gold output surged to 1.2m ounces last year and is on track to reach 2m ounces in 1995. Much of the production will still come from Ashanti

Gold Fields, recently privatised by the Ghanaian government, with the rest coming from new projects and big expansion and rehabilitation programmes at other mines, says Mr Kesse, 61, who was awarded his geology degrees at universities in California.

He has now joined the Ghanaian gold rush as chairman of African Star Resources which has a 76 sq km concession near the Ashanti mine at Obuasi. African Star's parent company, Pacific Comex of Canada, recently raised \$42.5m (US\$1.6m) which will mainly be spent on the Andani Asaasi project where there are old underground workings developed between 1900 and 1930.

"There are 1,000 feet of underground workings but there has never been any drilling or geophysical work," says Mr Douglas MacQuarrie, president of Pacific Comex.

African Star is also participating in an initial 16,000 sq km airborne geophysical survey, the first high-resolution survey ever carried out in Ghana. It will cover most of the gold bearing greenstone belt in south western Ghana.

Copper miners need to raise \$10bn by 2000

By Kenneth Gooding

International copper miners require more than US\$10bn by the year 2000 for projects which have been announced but for which funding has not yet been secured, according to an analysis by the Metals Finance newsletter.

It suggests that the scale of demand for capital means not all mines will obtain immediate financing. "Developments are likely to be tiered according to their level of project, political and economic risk, among other factors. It is unlikely that projects in southern Africa will be developed ahead of mines in Latin America, while deposits in the Commonwealth of Independent States also face near-term uncertainty," it adds.

According to the newsletter, Latin American projects are seeking a total of \$6.555bn. Africa requires "a conservative" \$2.5bn, while smaller amounts will go to Australia and North America.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from 09.00 GMT Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1337.5-6.5 1337-8

Previous 1333-4 1331-2

High/Low 1337/1337 1337/1337

AM Official 1333-4 1332-5-3

Kerb close 1335-6 1335-7

Open int. 254,951

Total daily turnover 46,038

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1350-60 1350-60

Previous 1342-5 1342-5

High/Low 1350/1350 1350/1350

AM Official 1350-5 1350-5

Kerb close 1350-5 1350-5

Open int. N/A

Total daily turnover 379

■ LEAD (\$ per tonne)

Close 505-6 505-4

Previous 501-2 501-2

High/Low 507/516 507/516

AM Official 505-4 505-4

Kerb close 505-4 505-4

Open int. 51,377

Total daily turnover 10,382

■ ZINC (\$ per tonne)

Close 6230-40 6230-30

Previous 6235-45 6235-35

High/Low 6235/6235 6235/6235

AM Official 6235-4 6235-4

Kerb close 6235-4 6235-4

Open int. 51,377

Total daily turnover 10,382

■ TIN (\$ per tonne)

Close 5620-5 5620-5

Previous 5605-55 5605-55

High/Low 5620/5620 5620/5620

AM Official 5618-5 5618-5

Kerb close 5618-5 5618-5

Open int. 16,548

Total daily turnover 3,068

■ ZINC, special high grade (\$ per tonne)

Close 957-8 957-4

Previous 962-3 962-7

High/Low 962/962 962/962

AM Official 959-50 959-45

Kerb close 959-50 959-40

Open int. 104,584

Total daily turnover 20,685

■ COPPER, grade A (\$ per tonne)

Close 2256-8 2256-8

Previous 2255-5 2255-5

High/Low 2256/2256 2256/2256

AM Official 2256-8 2256-8

Kerb close 2256-8 2256-8

Open int. 217,150

Total daily turnover 55,000

■ LIME, AM Official 5/5 rate: 1.5115

Spot 1.3120 3 month 1.5896 6 month 1.5899 9 month 1.5877

■ HIGH GRADE COPPER (COMEX)

Close 102.95 +0.10 103.00 103.00

Previous 102.85 +0.10 102.95 102.95

High/Low 102.95/103.00 102.95/103.00

AM Official 102.95 102.95

Kerb close 102.95 102.95

Open int. 102.95 +0.10

Total 102.95 +0.10

PRECIOUS METALS continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low

Jun 367.1 +2.4 368.2 365.2

Jul 368.4 +2.3 369.5 366.5

Aug 369.1 +2.3 370.2 367.2

Sep 369.8 +2.3 370.9 367.9

Oct 370.5 +2.3 371.6 368.6

Nov 371.2 +2.3 372.3 369.3

Dec 371.9 +2.3 373.0 369.6

Total 372.6 +2.3 373.7 370.7

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Sett. Day's price change High Low

Jul 494.2 +4.3 498.5 490.0

Aug 495.5 +4.3 500.0 491.0

Sep 496.8 +4.3 501.3 492.0

Oct 498.1 +4.3 502.6 493.0

Nov 499.4 +4.3 503.9 494.0

Dec 500.7 +4.3 505.2 495.0

Total 501.4 +4.3 505.9 500.0

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low

Jul 130.25 +1.48 131.99 130.00

Aug 131.50 +1.48 133.25 130.25

Sep 132.75 +1.48 134.50 131.50

Oct 134.00 +1.48 135.75 132.75

Nov 135.25 +1.48 137.00 134.00

Dec 136.50 +1.48 138.25 135.25

Total 137.75 +1.48 139.50 136.50

■ SILVER COMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low

Jul 553.0 +7.6 558.0 548.0

Aug 554.0 +7.6 559.0 549.0

Sep 555.0 +7.6 560.0 550.0

Oct 556.0 +7.6 561.0 551.0

Nov 557.0 +7.6 562.0 552.0

Dec 558.0 +7.6 563.0 553.0

Total 559.0 +7.6 564.0 554.0

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Sett. Day's price change High Low

Jul 18.07 +0.04 18.17 17.90

Aug 18.12 +0.04 18.22 17.95

Sep 18.17 +0.04 18.27 18.00

Oct 18.22 +0.04 18.32 18.05

Nov 18.27 +0.04 18.37 18.10

Dec 18.32 +0.04 18.42 18.15

Total 18.37 +0.04 18.47 18.20

■ CRUDE OIL ICE (Barbours)

Sett. Day's price change High Low

Jul 18.08 -0.01 18.18 18.02

Aug 18.13 -0.01 18.23 18.07

Sep 18.18 -0.01 18.28 18.12

Oct 18.23 -0.01 18.33 18.17

Nov 18.28 -0.01 18.38 18.22

Dec 18.33 -0.01 18.43 18.27

Total 18.38 -0.01 18.48 18.32

■ SOYABEAN OIL ICE (Barbours)

Sett. Day's price change High Low

Jul 20.28 +0.04 20.38 20.12

Aug 20.33 +0.04 20.43 20.17

Sep 20.38 +0.04 20.48 20.22

Oct 20.43 +0.04 20.53 20.27

Nov 20.48 +0.04 20.58 20.32

Dec 20.53 +0.04 20.63 20.37

Total 20.58 +0.04 20.68 20.52

■ SOYABEAN MEAL ICE (100 tons; \$/ton)

Sett. Day's price change High Low

Jul 202.8 +0.4 203.2 202.4

Aug 203.3 +0.4 203.7 202.9

Sep 203.8 +0.4 204.2 203.4

Oct 204.3 +0.4 204.7 203.9

Nov 204.8 +0.4 205.2 204.4

Dec 205.3 +0.4 205.7 204.9

Total 205.8 +0.4 206.2 205.4

■ SOYABEAN OIL COMEX (60,000 lbs; \$/cwt)

Sett. Day's price change High Low

Jul 28.38 +0.44 28.82 28.30

Aug 28.43 +0.44 28.87 28.35

Sep 28.48 +0.44 28.92 28.40

Oct 28.53 +0.44 28.97 28.45

Nov 28.5

INVESTMENT TRUSTS - Cont.

TRUSTS - Cont.			
PERCENT	AMOUNT	PERCENT	AMOUNT
1804	1184	97	106.9
1805	182	106.9	106.9
1806	182	106.9	106.9
1807	182	106.9	106.9
1808	182	106.9	106.9
1809	182	106.9	106.9
1810	182	106.9	106.9
1811	182	106.9	106.9
1812	182	106.9	106.9
1813	182	106.9	106.9
1814	182	106.9	106.9
1815	182	106.9	106.9
1816	182	106.9	106.9
1817	182	106.9	106.9
1818	182	106.9	106.9
1819	182	106.9	106.9
1820	182	106.9	106.9
1821	182	106.9	106.9
1822	182	106.9	106.9
1823	182	106.9	106.9
1824	182	106.9	106.9
1825	182	106.9	106.9
1826	182	106.9	106.9
1827	182	106.9	106.9
1828	182	106.9	106.9
1829	182	106.9	106.9
1830	182	106.9	106.9
1831	182	106.9	106.9
1832	182	106.9	106.9
1833	182	106.9	106.9
1834	182	106.9	106.9
1835	182	106.9	106.9
1836	182	106.9	106.9
1837	182	106.9	106.9
1838	182	106.9	106.9
1839	182	106.9	106.9
1840	182	106.9	106.9
1841	182	106.9	106.9
1842	182	106.9	106.9
1843	182	106.9	106.9
1844	182	106.9	106.9
1845	182	106.9	106.9
1846	182	106.9	106.9
1847	182	106.9	106.9
1848	182	106.9	106.9
1849	182	106.9	106.9
1850	182	106.9	106.9
1851	182	106.9	106.9
1852	182	106.9	106.9
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1864	182	106.9	106.9
1865	182	106.9	106.9
1866	182	106.9	106.9
1867	182	106.9	106.9
1868	182	106.9	106.9
1869	182	106.9	106.9
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1871	182	106.9	106.9
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1873	182	106.9	106.9
1874	182	106.9	106.9
1875	182	106.9	106.9
1876	182	106.9	106.9
1877	182	106.9	106.9
1878	182	106.9	106.9
1879	182	106.9	106.9
1880	182	106.9	106.9
1881	182	106.9	106.9
1882	182	106.9	106.9
1883	182	106.9	106.9
1884	182	106.9	106.9
1885	182	106.9	106.9
1886	182	106.9	106.9
1887	182	106.9	106.9

41

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Unl. P1	---	0814	+14	105	99
Unl. Value	44	34	-1	80	34
Unl. P2	---	0815	-1	---	---

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11	273	-2	292	285
12	281	-1	106	91

	78	45	83	10
60	36	36	71	23
38	34			

12-11-1964

17	59	46	5.3	59.7	12.6
18	58	45	5.4		-1.8
19	123	114	9.7	113.8	-1.8
20	853	804	2.1	236.4	12.3
21	123	105	4.7	40.0	19.8
22	148	115	7.9	125.1	4.7
23	124	119			-0.4
24	124	115		112.3	-0.4
25	46	28.5		42.2	28.5
26	110	8.8	85.7	-16.7	
27	181.1	120	1.8	238.8	18.3
28	272.5	232	40.5	46.5	12.9
29	123	104	1.9	104.9	-1.9
30	123	114	3.3	50.9	-11.1
31	123	120	0.7	163.1	0.7
32	194	174	7.5	96.9	-19.9
33	146	120	13.2	141.8	7.1
34	123	79	3.2	125.8	10.2
35	81	29	25.8	12.8	0.8
36	26	31	32.9		
37	267	239	2.7	20.8	12.8
38	22	46		63.0	23.0
39	130	94	4.3	199.7	7.0
40	334	290	4.4	292.5	-4.5

329	334	339	344	349	354
380	385	390	395	400	405

3475	350	5.2	70.6	8.1
3476	350	5.2	117.0	4.8
3477	17	8.8	7.9	15.4
3478	5	-	-	-
3479	5	-	-	-
3480	5	13.5	-	-
3481	26	5.7	52.7	5.5
3482	26	6.9	52.7	10.2
3483	151	-	-	-
3484	138	22.3	120.0	-5.2
3485	900	-	-619.4	18.9
3486	227	3.1	22.7	11.8
3487	157	3.0	135.6	4.8
3488	157	3.1	73.6	-4.9
3489	128	5.1	119.2	7.4
3490	117	5.1	-	-
3491	133	6.6	13.6	7.9
3492	76	6.0	-	-
3493	137	7	-	-
3494	21	3.2	165.4	1.7
3495	20	5.0	-	-
3496	511.5	0.5	548.0	-1.6
3497	511.5	-	98.1	15.2
3498	579	-	-	-
3499	560.5	-	-	-
3500	560.5	-	67.2	-4.7
3501	579	-	-	-
3502	579	10.0	-	-
3503	210	-	291.5	22.8
3504	210	1.9	291.5	5.1
3505	422	3.0	250.1	1.3

59.1

71	41	—	—
72	109	4.1	134.1
73	47	—	3.8
74	136	—	—
75	44	4.1	133.3
76	—	—	-2.0
77	67	—	—
78	—	—	95.0
79	39	—	—
80	139	2.8	132.4
81	—	—	3.3
82	104	—	—
83	—	—	—
84	18	5.5	82.0
85	369	—	—
86	29	4.2	324.4
87	124	—	-0.9
88	—	—	—
89	230	4.3	344.7
90	—	—	2.6
91	445	—	—
92	437	1.2	491.5
93	537	—	—
94	436	—	—
95	48	15.0	—
96	—	—	190.2
97	174	—	26.1
98	185	—	—
99	231	4.2	302.8
100	—	—	-0.7
101	324	4.1	378.9
102	—	—	13.4
103	—	—	—
104	37	3.8	144.3
105	161	—	-0.1
106	46	—	—
107	—	—	—
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199	—	—	—

100
131

130	4.7	127.8	13.5
112	5.0	127.8	13.5
112	5.6	168.2	91.1
163	5.4	212.2	2.8
34	-	50.3	2.3
79	-	91.3	14.8
51	-	258.0	0.1
212	5.3	-	-
210	5.3	328.4	16.5
33	11.3	86.8	8.3
328	1.1	412.6	15.2
181	-	534.3	13.7
435	6.1	51.5	15.7
335	6.0	213.1	15.3
41	-	-	-
44	-	-	-
73	-	-	-
77	-	-	-
126	1.0	132.4	4.5
80	-	110.8	47.9
47	-	-	-
226	2.98334	-	-0.1

25

EDWARDS, C.W.

[illegible]

Security Series	8865	+15	8862	8863
Midcap	551	+12	5397	4395
TEXTILES & APPAREL				
	Index	Price	+ or -	1994
Hobbsworth	N	81	high	109
Milbon	N	100	170	61
Modesto	N	20860	178	61
Modesto Textile	N	854	617	514
Modesto	N	138	169	182
Modesto (RM)	N	2625	270	226
Reckon	N	640	77	56
Reckon	N	11	174	51
Shirport-Canada	N	83	185	52
Shirport	N	168	226	166
Shirport	N	10	145	100
Shirport	N	97	66	46
Shirport	N	43	74	41
Shirport	N	52	8	52
Shirport	N	3480	385	300
Shirport	N	23	267	223
Shirport	N	23	267	223
Shirport	N	23	267	223

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25.5	4.2	32.4	1.1	Origins
25.5	3.1	18.8		Up-to-the-second share
33.8	8.1	13.1		telephone from the F
25.6	8.6	15.6		Monday's share price p
33.9	5.8	6		An international servic
282	5.5	6		outside the UK, annual
25.8	4.2	-		Call 071-873 4378 (t-44
25.8	7.1	-		for more information on
24.5	2.9	22.5		
32.1	4.5	-		
25.94	-	-		

722	9.6
723	8.6
724	8.6
725	8.6
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894	8.6
895	8.6
896	8.6
897	8.6
898	8.6
899	8.6
900	8.6

AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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INSURANCES

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Currencies subdued

Foreign exchanges took a backseat yesterday with market attention focused on the weakness in UK and German interest rate markets, writes Philip Gawth.

The focus of activity was the short sterling futures, where a combination of factors caused prices, especially in the longer contracts, to fall sharply. Elsewhere, the dollar had a quiet day with the market constrained from selling the US currency, following weak economic data, by fears of central bank intervention. It finished in London at DM1.6435 from DM1.6444 against the D-Mark. Against the yen it closed at Y104.655 from Y104.400.

The D-Mark had a mixed day in Europe, while the sterling index closed at 90 after finishing on Friday at 79.8.

The bearish performance of the futures markets, particularly short sterling, laid further to rest any recent optimism that sentiment in the market might have turned. The December contract closed at 93.58, up basis points down on the Friday close. Most of the longer contracts were off by more than 25 basis points.

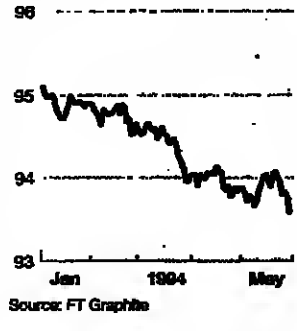
Mr Richard Phillips, analyst at brokers GNI, described the market as a "bloodbath", with lots of distress selling. The volumes were not especially large - the December contract traded nearly 34,000 lots - but prices moved a lot.

Weakness in eurosterling was a spillover from bearish sentiment in the gilts market. Traders cited a number of factors as contributing to this: weekend newspaper reports that the Treasury had revised up its growth forecast for 1994 to 3 per cent; rumours about a rise in the pricing component of the May purchasing managers' survey; and the M0 measure of money supply growing by 7.1 per cent in the year to April, compared to a government range of 0-4 per cent.

Traders said investors were also clearing up end of month positions and this contributed to price movement. In the futures market was not reflected in the cash markets, with 3-month interbank sterling quoted at 5 1/2% from 5 1/4% last Friday.

Sterling

December 94, Future contract price



Source: FT Graphicals

■ Pound to New York

	May 31	1st Jan	1st Nov
1 spot	1.510	1.505	1.505
1mth	1.510	1.507	1.507
3mth	1.507	1.503	1.503
1yr	1.504	1.502	1.502

Mr Phillips said the failure of traders to arbitrage the markets suggested either that they were nursing heavy losses, or that their attention was elsewhere. In this regard, he said the hedge funds, previously very active in these markets, had recently been "noticeable by their absence".

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said the weakness in interest rate markets seemed to be related to the recent trend of hedge fund investment in commodity markets. This triggered a rise in commodity prices, which then fed over into the sale of bond futures as markets expressed concern that higher commodity prices meant higher inflation in future.

■ Sterling had an uneventful day, closing at DM2.4846 against the D-Mark from DM2.4806. Against the dollar, it closed at \$1.5118 from \$1.5086. Mr Norfield said the interest rates discounted in the futures markets increasingly favoured sterling and this was supporting the UK currency.

The December contracts, for example, project UK 3-month money to be 128 basis points above German money by the end of the year. By December 1995 that gap has jumped to 251 basis points.

In the UK money markets, the Bank of England provided £771m assistance after forecasting a £750m shortage. Over-

night money traded in the 3 to 5 per cent range.

■ In German money markets call money rose to 5.75/5.95 per cent, close to the 6 per cent Lombard rate ceiling, as a temporary outflow resulting from pension payments caused a cash squeeze. Call money was at 5/5.25 per cent on Monday.

The Bundesbank has again announced a variable rate repo, and the market is expecting a fall of about five basis points at today's allocation, from 5.20 per cent.

■ The dollar had a quiet day, unmoved by a weaker than expected set of economic data.

Among the figures released, April personal consumption expenditure fell by 0.1 per cent, consumer confidence fell to 87.6 in May while new single-family home sales fell in April by 6.8 per cent.

Commenting on the data, Mr Brian Martin, senior economist at Citibank, said: "What we are seeing is the pace of economic growth slowing in response to tax increases and a rise in long-term interest rates since last October." Most analysts believe the market would like to take the dollar lower, but is wary of the central banks.

Mr Mark Geddes, treasury economist at Midland Global Markets, said that for intervention to have a significant and sustainable effect, "the market will need to be short of dollars, which currently does not appear to be the case."

■ The two weak currencies of Europe, the Greek drachma and the Portuguese escudo, both had quiet days. The escudo closed at Es 103.7 from Es104. The drachma was fixed at Dr148.100 against the D-Mark from Dr147.970 at the previous fix.

The D-Mark closed at FF3.419 from FF3.417 against the French franc. Against the lira, it closed at L862.2 from L861.4.

■ OTHER CURRENCIES

May 31

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4 pm close May 31

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NASDAQ NATIONAL MARKET[illegible]

4 pm close May 31

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FINANCIAL TIMES

A leading authority on financial affairs and 17 times the size of a typical daily newspaper

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AMERICA Stocks mixed as data fail to lift bonds

Wall Street

US stocks were mixed yesterday morning as a hatch of weaker than expected economic data failed to lift the bond market, writes Frank McCarty in New York.

By 1 pm, the Dow Jones Industrial Average was 2.15 better at 3,759.29, but the more broadly based Standard & Poor's 500 was down a slight 0.83 at 456.50.

In the secondary markets, the American 30 composite slipped 0.27 to 40.87 and the Nasdaq composite was off 0.86 at 732.18.

After the extended holiday weekend, the trading week opened with a barrage of economic news. But activity remained light as many investors apparently decided to extend their vacations - on the NYSE some 117m shares were traded by 1 pm.

Most of the indicators pointed to a moderating economic trend. The Conference Board, an industry trade group, said that its May index of consumer confidence slipped after advancing in the previous two months.

The Commerce Department said that personal income in April was up 0.4 per cent, a little less than expected, while personal spending dipped 0.1 per cent against expectations of no change.

New home sales in April, meanwhile, showed a 6.8 per cent decline. None of these indicators of slower growth - a favourable development for fixed-rate investments - could generate any enthusiasm among bond traders. The US Treasury market was showing solid losses by midday, as investors watched commodity and gold prices rise during the morning and European bonds extend their losses.

A report showing Chicago's purchasing managers paying sharply higher prices last month was also a negative factor for bonds.

Blue chips were down as much as 15 points near the opening as equity investors pondered the weakness in bonds. But share prices climbed to near their opening levels as the morning continued, although no single sector was experiencing any marked activity.

Chevron was showing the best gain among the Dow industrials, up 1 1/4 to 87 1/2 after the stock was upgraded by Merrill Lynch.

Blockbuster Entertainment, whose proposed takeover by Viacom has become uncertain, topped the NYSE's most active list. Some 2.1m shares had changed hands by 1 pm, compared with an average daily volume of 1.2m shares.

The stock appreciated 1 1/4 to 328 after Robertson Stephens & Company raised its rating on the company to "market performer".

Romney, a home-furnishing retailer, advanced 3 1/4 to \$16 after posting a 23 per cent gain in May sales for stores opened at least a year.

Upjohn, up 1 1/4 to 32 1/2, continued to benefit from last week's takeover speculation.

Media stocks suffered further losses in the aftermath of last week's announcement that several television stations were switching their affiliation to the Fox network. Capital Cities/ABC shed 3/4 to \$738 and CBS receded \$5 to \$264.

Canada

Toronto stocks were mixed in subdued midday dealings, with weakness in conglomerates offsetting gains in the gold and precious metals sector.

The TSE 300 composite index was up 3.40 to 4,234.07 in turnover of C\$252m. Declines outpaced advances by 304 to 266, with 264 issues holding steady. Barrick Resources led rises in the gold sector, jumping C\$1 1/4 to C\$34 1/2 in busy trade.

Diamond shares continued to be sought, Aber Resources adding C\$ 1/4 to C\$87 following good results on Monday.

EUROPE Cyclicals top Dax performers despite correction

A number of hours staged intraday recoveries as selling pressure ran out of steam, writes Our Markets Staff.

FRANKFURT was weak again at the outset after a sharp drop in bond prices, but short-covering left the Dax index with a 9.55 gain at 2,127.70; by the end of the post-bourse it had risen another 10 points to an all-time high of 2,137.74.

Turnover increased from DM5.1bn to DM6.7bn. The Dax lost 5.3 per cent in May, precisely what it had gained in April, said Mr Eckhard Frahm at Merck Finck in Düsseldorf. It suffered most of all, he said, from weakness in US bonds and the correction in cyclicals from mid-month following a double top in late volume.

However, extended weakness in carmakers did not prevent them leading the Dax top performers for the first five months of 1994: BMW, ex-rights, down a net DM7 yesterday at DM830, was up 13.6 per cent this year; and Volkswagen, DM150 lower at DM484.50, still 10.1 per cent to the good. The two leaders were ahead by 24.8 and 19.5 per cent respectively after the first four months.

The mid-May corollary, a switch into defensive stocks, was ruined for banks by bond market weakness. Bayerische Vereinsbank, Dresdner and Bayernhypo all showed the strain, leading the Dax losers with falls of 31.2 per cent, 19.1 per cent and 18.2 per cent in the five months to May.

PARIS remained uneasy, with the CAC-40 index at one point falling to an intraday low of 2,013.61, before finding fresh support on the opening of Wall Street. The CAC-40 index ended the day down 22.61, or 1 per cent, at 2,036.90, with equities continuing to be pressured by futures. The expiry of the May futures contract yesterday also added an extra dimension to the day's volatility.

Turnover improved to FF4.5bn from Monday's FF1.6bn. According to Nikko Europe, US investors have been seen recently switching out of cyclicals and into the financial sector.

Schneider, off FF9.40 at FF490.50, remained beset by uncertainty among investors

following the arrest in Belgium last week of its chairman. After the shares had been suspended briefly, the group issued a statement denying any allegations of financial wrongdoing.

ZURICH adopted the recent German attitude towards cyclicals, taking profits as pressure on the domestic bond market and from weakness in equities abroad left the SMI index down 20.0 at 2,722.9.

Among cyclicals, BBC Brown Boveri lost SF20 at SF1,260, Georg Fischer SF30 at SF1,480 and Sulzer registered SF28 at SF288; Alusuisse, the metals company which forecast substantial recovery this year after hours, fell with the pack, shedding SF5 to SF568.

Here, too, the financial sector offered little relief. Among insurers, Winterthur fell SF22 to SF280 although it produced a first quarter rise of 9 per cent in premium income, and was bullish about 1994.

MILAN recovered from an early fall with the Comit index hovering close to the 730 support level before picking up again on technical buying.

The Comit index finished down 4.19 at 731.31. The day's main feature was Mediobanca, up L235 at L15,950 following confirmation that a number of leading executives, including the honorary president Mr Enrico Cuccia, were under investigation in relation to the bank's role in the restructuring of Ferruzzi. Observers said that the news had been in the market for some days,

FT-SE Actuaries Share Indices									
May 31	Open	High	Low	Close	May 27	May 26	May 25	May 24	May 23
FT-SE 100	1392.48	1392.56	1392.33	1392.47	1396.82	1398.87	1398.44	1399.73	1399.73
FT-SE 250	1398.82	1398.40	1397.42	1401.39	1402.73	1406.22	1407.56	1409.70	1409.70
FT-SE 100	1401.19	1411.48	1412.51	1435.77	1448.42	1448.75			
FT-SE 250	1414.33	1426.97	1430.24	1453.90	1468.75				
Base 1000 28/10/93; Highwater: 100; Lowwater: 100; Lowwater: 100; Lowwater: 100; Lowwater: 100									

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which explained the upward movement in the shares.

AMSTERDAM also recovered later in the day, having earlier fallen through the 400 level for the first time since December 1993 as the equity market came under renewed pressure from bonds. The AEX index ended off 1.65 at 400.77, having seen a session low of 387.25.

One of the day's main features was a F12.30 drop in DSM, the chemicals group, to F134.00 on news that it was buying for an undisclosed figure the outstanding 40 per cent share in Curver Rubbermaid from Rubbermaid of the US that it did not own.

Elsewhere KLM retreated a further 90 cents to F151.30 ahead of tomorrow's fourth quarter results.

MADRID, yet again, spiced a desolate plateau of blue chips with big rises in speculative stocks, Amper and Prima Inmobiliaria, the property company, each rising about 15 per cent - by Pt471 to Pt456, and by Pt330 to Pt322.

The general index closed down 3.81 at 327.00 in moderate turnover of Ptas5m. Some brokers were beginning to see

danger in the speculators' attachment to secondary issues.

STOCKHOLM led the way down in a mostly weak Nordic sector, the Affarsvärlden General index losing 27.10, or 1.8 per cent, at 1,499.00. However, COPENHAGEN recovered dramatically after an equally severe intraday decline with the KFX Index a token 0.02 higher at 100.85, buyers coming back and an almost euphoric mood in evidence.

ATRENS stayed in volatile form, the general index rising 14.77, or 1.75 to 860.10 on buying in the recently embattled construction sector.

WARSAW eased in mixed trade, the WIG index falling 182.9, or 1.5 per cent to 12,038.7. Elektrim, the trading company, fell 10 per cent after yesterday's 20 per cent cut in its rights issue price.

TEL AVIV dropped again after the central bank indicated a small decline in economic activity, the Mishmim index closing 7.21, or 3.7 per cent lower at 187.61.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Foreign buying noted as Nikkei hits third new high

Tokyo

Buying by foreign investors and some domestic financial institutions left equities with a third day of gains after a strong close, writes Robert Putnam in Tokyo.

The Nikkei 225 average ended 134.62 up at 20,973.58, its third new high for the year in as many days. At one point in the early afternoon a rally sent the index above 21,000 to a day's peak of 21,048.61, where it encountered heavy selling pressure from Japanese non-financial corporations. The low for the session was 20,857.07.

Volume eased from 594.3m shares to an estimated 530m. The Topix index of all first section stocks gained 4.17 at 1,682.50, while the Nikkei 300 firmed 0.61 to 307.79. In the first section, rises led declines by 691 to 329, with 164 issues unchanged. In London the ISE/

Nikkei 50 index put on 2.51 at 1,391.93.

Most heavy electricals continued to advance, Hitachi adding Y10 at Y1,090 and Toshiba Y7 at Y845, but Mitsubishi Electric lost Y9 at Y688.

Major industrials and shipbuilders were mixed. Kawasaki Steel, once again the day's most active issue, moved up Y3 to Y426 on a volume of 15,450 shares. Kawasaki Heavy Industries rose Y3 to Y477.

The morning's trading started on a quiet note. With markets in London and New York closed on Monday, fewer foreign investors were active.

The market heated up in the early afternoon, fuelled by very large buy orders from a foreign brokerage house for leading stocks. Other dealers followed suit, stepping up their purchases. The more positive tone of the market was largely a reaction to projections of corporate profitability in the current fiscal year, and to Monday's release of stronger than expected industrial output figures for April.

Most foreign analysts continued to maintain a bullish stance. Mr Rod Smyth of Baring Securities argued that the combination of positive economic data released in the last two days with the technical strength of the market made a breakout above 21,000 "only a matter of time". But some analysts pointed to the continued absence of individual investors as a negative factor weighing on the market.

In Osaka the OSE average rose 104.04 to 23,162.36 as volume of 38.2m shares topped Monday's 35.5m.

Roundup

The Monday closure of US markets had a dampening effect on activity yesterday. HONG KONG was firmer in

mutated trading, with the Hang Seng index ahead 29.93 at 9,553.56 but down from the day's high of 9,568.78. Turnover slipped to HK\$3.1bn from the previous day's HK\$3.5bn.

Property issues remained strong following recent weakness, with Cheung Kong and Henderson Land both rising 50 cents to HK\$39 and HK\$41 respectively.

San Miguel, the Philippine-based brewer, shed 10 cents to HK\$6.85 on news that it had sold its site in Hong Kong for HK\$3.5bn to Wheelock Properties, up 20 cents at HK\$19.

China Light saw brisk European-led buying push the shares up HK\$1.25 to HK\$43.

MANILA gained 2.6 per cent, with San Miguel leading the way on news of the property sale in Hong Kong. The composite index advanced 73.38 to 3,030.77 as San Miguel "A" shares jumped 7.3 per cent to 102 pesos and the "B" stock 2.2

per cent to 141 pesos. PLDT climbed 30 pesos, or 1.6 per cent, to 1,940 pesos.

Turnover slipped to 1.2bn pesos from Monday's 1.3bn.

TAIPEI fell on profit-taking following rises over the past two days. The weighted index was finally down 42.94 at 5,891.56 after an earlier high of 5,980. Turnover was T\$53.96m.

Paper shares were the worst hit: Wan Yu receded 80 cents to T\$33.60 and Cheng Loong 70 cents to T\$37.30.

In the electronics sector, Acer declined T\$1 to T\$64, while United Microelectronics went against the trend with a rise of T\$2 to T\$104.50.

KUALA LUMPUR slipped back as volume hit the year's lowest point at just 50m shares. The composite index ended off 4.00 at 996.11. Lion Lion retreated 13 cents to M\$2.77 on profit-taking after sharp gains last week.

SINGAPORE eased on light

selling of blue chips, the Straits Times Industrial Index declining 24.22 to 2,251.67.

SEOUL retreated for the third consecutive session in reduced volume as manufacturing stocks continued to consolidate. The composite index lost 6.13 at 839.49.

SYDNEY was lower in the absence of major corporate news. The All Ordinaries index dipped 10.0 to 2,081.8 in light turnover of A\$354m.

CSR, the building products, aluminium and sugar group, remained under pressure, falling a further 13 cents to A\$4.00, in spite of announcing strong earnings results on Monday. Analysts commented that investors were disappointed by dividend tax considerations.

BOMBAY declined as profits were taken, particularly in the heavily weighted ITC and Reliance industries late in the session. The BSE index relinquished 4.99 to 3,823.06.

Brazil up 3 per cent after breaking resistance point

Brazil

Equities in São Paulo were more than 3 per cent higher at midday as the Bovespa index accelerated after breaking through the 21,400 resistance level.

The index of the 56 most traded shares was up 802 at 25,074 by 1 pm, in turnover of Cr\$38.7bn (S\$74m).

Brokers commented that optimism remained ahead of the adoption of the country's new currency on July 1 which could pave the way for a significant drop in the 45 per cent monthly inflation level.

They added that a forecast rise in consumer spending, taken together with lower export tariffs, were also expected to boost cyclical shares, such as retail and mining companies.

Among the actives, Telebras, the telecommunications group, was 2.9 per cent higher at Cr\$73.50. Vale do Rio Doce, the mining group, climbed 3.5 per cent to Cr\$190.59 and Petropolis advanced 3.2 per cent to Cr\$18.

Smith Barney Shearson has initiated coverage of Cemig.

the electric utility, with a neutral, speculative risk rating. The broker said it believed that the company had a good potential, but maintained a neutral weight because of the country's general economic and political uncertainty.

Mexico

Shares opened higher, driven by selective demand from investors restructuring portfolios at the end of the month.

The IPC index of 37 leading shares had gained 11.17, or 0.45 per cent, at 2,496.58 by mid-morning. Volume was 15m shares.

Chartists suggested that some profit-taking could be seen at the 2,500 level.

One of the main influences on activity was the advance of American Depository Receipts in the US, especially in the stock of Telcel, the telephone utility, and Televisa, the media group.

Telcel "L" shares, available to foreign investors, were up 6 centavos at 10.38 pesos and Televisa up 1.4 pesos at 96.5 pesos.

Turnover was modestly light at 164.8m pesos, in volume of 15m shares.

MARKETS IN PERSPECTIVE									
% change in local currency					% change sterling				
1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994
Austria	-2.06	-2.17	+25.69	-6.47	-6.62	-4.78			
Belgium	-2.78	-1.71	+20.87	-1.09	+3.60	+5.84			
Denmark	-1.72	-0.23	+3.49	-1.14	+1.54	+1.84			
Finland	-3.89	-1.88	+50.38	+12.95	+18.93	+21.25			
France	-4.23	-4.88	+11.70	-8.10	-5.29	-3.43			
Germany	-4.60	-4.96	+26.81	-6.38	-6.04	-1.13			
Ireland	-2.76	-5.56	+14.62	-5.80	-2.94	-1.04			
Italy	-5.99	-9.21	+34.60	+17.88	+24.41	+26.84			
Netherlands	-2.78	-3.61	+6.58	-2.43	-3.52	-0.92			
Norway	-1.48	-0.84	+31.14	-5.36	+9.09	+11.23			
Spain	-2.39	+1.77	+21.02	-0.01	+3.42	+6.45			
Sweden	-0.30	+3.26	+33.17	+7.29	+13.88	+15.89			
Switzerland	-0.66	-0.77	+21.66	-6.31	-2.80	-0.89			
UK	-5.13	-5.48	+4.85	-12.38	-12.38	-10.84			
EUROPE	-3.99	-4.29	+15.23	-6.74	-4.57	-2.89			
Australia	-0.39	+2.34	+19.14	-2.50	+3.27	+5.29			
Hong Kong	-1.77	+5.75	+26.52	-20.80	-22.31	-20.79			
Japan	+1.80	+4.70	+22.46	+15.48	+21.67	+25.46			
Malaysia	-0.31	-0.31	+39.34	-23.15	-21.56	-20.02			
New Zealand	+0.94	+3.16	+31.69	-1.82	+1.20	+3.16			
Singapore	-0.53	+0.02	+31.44	-6.72	-6.14	-4.30			
Canada	+0.32	+1.19	+10.76	+0.95	-5.47	-3.82			
USA	+0.60	+1.51	+0.89	-1.77	-3.66	-1.77			
Mexico	+2.57	+5.23	+50.13	-5.57	-13.09	-11.36			
South Africa	-2.23	-1.71	+39.89	+8.88	-4.08	-2.20			
WORLD INDEX	-0.35	+0.92	+6.44	+0.73	+1.72	+3.72			

The vaccinations in New York bond markets, successively depressed by interest rate worries, lifted by the US Treasury bond auction and dropped again by an upward revision in GDP data, actually left US equities higher last week as Europe fell 4 per cent. Kleinwort Benson strategist Mr Albert Edwards says strong global growth will continue to drive up bond yields and that investors have yet to realise that the transfer of manufactured production to the Pacific Rim will exacerbate the inflation upturn over the next few years.

FT-Actuaries World Indices

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and Westpac Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries																	
REGIONAL MARKETS		MONDAY MAY 30 1994							FRIDAY MAY 27 1994							DOLLAR INDEX	
Regions in parentheses show number of lines	US Dollar Index	Day's Change	Pound	Yen	DM	Local Currency	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling	Yen	DM	Local Currency	Local % chg on day	52 week Low	52 week High	Year ago (approx)
Australia (67)	175.50	-0.1	172.41	116.04	150.24	188.03	-0.3	3.46	175.88	172.68	115.95	150.21	198.43	18.09	130.18	136.60	136.60
Austria (17)	175.24	-0.6	172.15	115.87	149.75	187.95	-0.7	1.09	178.13	175.03	115.95	149.75	187.95	18.09	130.18	136.60	136.60
Belgium (13)	171.56	-0.1	168.53	113.43	146.86	143.34	-0.1	3.84	171.82	168.86	113.39	145.93	143.34	176.87	141.82	147.31	147.31
Canada (106)	170.72	-0.1	170.72	113.43	146.86	143.34	-0.2	2.56	170.88	168.86	113.39	145.93	143.34	176.87	141.82	147.31	147.31
Denmark (13)	171.56	-0.1	168.53	113.43	146.86	143.34	-0.1	3.84	171.82	168.86	113.39	145.93	143.34	176.87	141.82	147.31	147.31
Finland (23)	171.56	-0.1	168.53	113.43	146.86	143.34	-0.1	3.84	171.82	168.86	113.39	145.93	143.34	176.87	141.82	147.31	147.31
France (38)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Germany (11)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Greece (1)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Hong Kong (59)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Ireland (14)	183.31	0.0	180.08	121.21	156.83	174.53	0.0	0.34	183.29	180.14	120.88	156.70	174.48	209.33	155.78	184.84	184.84
Italy (60)	87.35	0.4	89.81	57.76	74.78	103.78	0.4	1.52	87.00	89.51	57.42	74.38	103.37	97.78	57.88	75.88	75.88
Japan (10)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Malaysia (19)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Mexico (10)	210.51	0.1	209.89	90.30	143.80	182.81	77.91	1.2	1.00	211.67	207.92	91.26	138.21	80.48	47.19	62.83	31.21
Netherlands (1)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
New Zealand (14)	99.94	-0.2	99.97	131.45	170.90	187.46	-0.2	3.36	100.08	100.68	130.72	188.35	167.09	207.43	164.22	170.00	170.00
Norway (2)	198.47	-0.1	194.71	131.23	190.39	192.15	-0.5	1.72	199.82	196.98	131.68	170.82	193.20	206.42	150.61	189.74	189.74
Spain (14)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Sweden (14)	224.48	-0.1	224.78	142.03	148.43	182.17	57.62	0.8	1.53	221.71	223.67	142.03	148.43	182.17	158.10	184.84	184.84
Switzerland (17)	169.88	-0.1	164.96	112.31	145.20	149.07	0.1	0.01	168.33	167.01	112.14	145.20	148.78	183.37	149.80	158.10	158.10
United Kingdom (25)	183.32	0.1	180.08	121.21	156.83	174.53	0.0	0.34	183.29	180.14	120.88	156.70	174.48	209.33	155.78	184.84	184.84
USA (519)	190.64	0.0	181.92	123.34	159.68	186.64	0.0	2.87	196.54	183.13	120.19	150.47	183.24	190.04	178.95	185.01	185.01
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	172.82	-1.0	207.99	139.82	181.18	211.28	-0.7	1.42	213.63	210.15	141.11	182.80	212.67	220.80	186.82	171.74	171.74
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.04
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Europe (14)	167.11	-0.1	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Asia-Pacific (19)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
Pacific Basin (75)	167.11	-0.2	164.96	112.31	145.20	149.07	-0.2	2.83	167.18	164.07	112.14	145.20	148.78	183.37	149.80	158.10	158.10
EUROPE (21)	164.83	-0.1	161.29	108.88	144.10	153.83	-0.3	2.00	165.01	162.17	108.89	141.07	153.84	178.58	141.56	148.04	148.0